



**VYSARN**  
LIMITED



# 2020

## Annual Report





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# Corporate Directory

## Directors

**Peter Hutchinson** Non-Executive Chairman

**James Clement** Managing Director and CEO

**Sheldon Burt** Executive Director

**Christopher Brophy** Non-Executive Director

## Company Secretary

**Kyla Garic**

## Registered Office

108 Outram Street

West Perth, WA 6005

Ph: +61 8 6144 9777

## Auditor

Pitcher Partners BA&A Pty Ltd

Level 11, 12-14 The Esplanade

Perth, WA 6000

## Share Registry

Automatic Registry Services

Level 2, 267 St Georges Terrace

Perth, WA 6000

## Bankers

Westpac Banking Corporation

Level 3, Tower Two, Brookfield Place

123 St Georges Tce

Perth, WA 6000

## Securities Exchange Listing


**ASX Limited**

Level 40, Central Park 152-158 St Georges Terrace

Perth, WA 6000

**ASX Code:** VYS





**“Vysarn is now well positioned to consolidate its position as a premium service provider in the hydrogeological drilling space as well as delivering on its growth strategy”**



# Chairman's Letter to Shareholders

Dear Shareholder,

It is my pleasure to present the 2020 Annual Report. This is the first annual report for Vysarn Limited (Vysarn) since the company completed the re-capitalisation and re-compliance process, resulting in the company being re-instated to official quotation on the Australian Securities Exchange on 9 September 2019.

Vysarn, previously known as MHM Metals Limited, via its wholly owned subsidiary Pentium Hydro Pty Ltd acquired certain assets from Ausdrill Northwest Pty Ltd a subsidiary of Perenti Limited (previously Ausdrill). These assets comprising ten specialised water well drill rigs, supporting ancillary equipment and inventory has enabled the company to become a specialised service provider in the hydrogeological drilling space with particular specialisation in dual rotary drilling for monitoring, production and re-injection bores for mining industry clients.

In the nine months since relisting, the company has posted a number of milestones. We have appointed a highly competent and motivated Managing Director and a young and enthusiastic Finance Manager, acquired two more dual rotary rigs to supplement the fleet and completed a \$4 million rights issue to strengthen the balance sheet in a time of global uncertainty due to COVID-19.

More significantly, during this time Pentium Hydro, under the stewardship of its highly industry experienced management team has established itself, from a standing start, as a profitable premium provider of production critical services to the mining industry.

The consolidated group entity produced a statutory net profit after tax of \$4.84 million, with a balance sheet showing net tangible assets of \$24.33 million. It is pleasing that Vysarn finds itself in a financially strong position this early in the company's journey.

Vysarn is now well positioned to consolidate its position as a premium service provider in the hydrogeological drilling space as well as delivering on its growth strategy to become a whole of life water service provider in the resource sector. This vision will be delivered by Vysarn's many talented and quality people.

I would like to take this opportunity to thank management and staff for their hard work and commitment during the first nine months of operations. In particular, I would like to acknowledge the efforts of fellow directors Sheldon Burt and Chris Brophy who were both instrumental in identifying the assets and the subsequent rebirth of the company.

On behalf of the Board I would also like to thank you for your early support and patience. We are excited about the future and look forward to meeting you at the company's upcoming Annual General Meeting.

Sincerely,



**Peter Hutchinson**  
Chairman



“revenue has grown strongly with full year revenue from operations of \$11.91 million”

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## Managing Director's Report

Vysarn Limited (Vysarn or the Company) is reporting nine months of operations since it was reinstated to official quotation on the ASX on 9 September 2019. The Company purchased water well drilling assets from Ausdrill Northwest Pty Ltd a subsidiary of Perenti Limited (previously Ausdrill) which enabled it to become a new entrant in the hydrogeological drilling space, specifically in the construction of water bores for mining industry clients.

After an intensive start-up phase the Company was able to win work with multiple top tier clients and in turn reach an EBITDA and cash positive position in a short time frame.

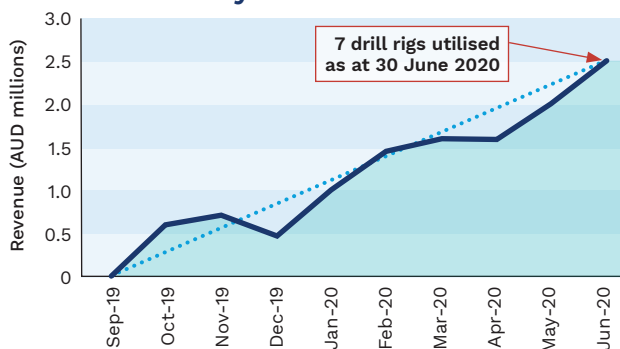
Post the start-up phase, the Vysarn board and management have worked hard to position the company as a preferred contractor in the provision of hydrogeological drilling services, to maximise the utilisation and returns on company assets and to prepare the Company for growth.

### Financial Performance

Since the Company's inception in September 2019 Vysarn's revenue has grown strongly with full year revenue from operations of \$11.91 million. First half revenue from operations of \$1.78 million reflected the Company's start-up phase and second half revenue from operations of \$10.13 million reflected the Company's rapid establishment as a premier service provider to the mining industry. As anticipated, the majority of operational revenue was generated in the June quarter of 2020 as rig utilisation increased and operational systems, processes and workforces were bedded down. The Company continued to progress to a steady state of rig utilisation with seven (7) rigs utilised at year end.



### Monthly Revenue Growth



Other income of \$7.38 million, which was primarily comprised of a \$7.18 million gain on bargain purchase, resulting from the difference between the price paid for the assets, pursuant to the Asset Sale Agreement and the Market Value of same (refer to note 25 in the Appendix 4E), produced a total Company revenue of \$19.29 million for the full financial year. Of further note included in Expenses are share based payments and transaction costs associated with the relisting of the Company's securities in September 2019 amounting to \$2.09 million.

As indicated in the first half presentation released to the ASX on 28 February 2020, maintainable corporate overheads (excluding interest and depreciation) were estimated to be approximately \$360k per month for the second half. Pleasingly, maintainable corporate overheads settled at circa \$315k per month which management anticipates will remain stable for the remainder of the calendar year and during the further ramp up of rig fleet utilisation.

Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) were \$6.03 million and Net Profit After Tax (NPAT) was \$4.84 million for the 12 months to 30 June 2020. NPAT included an income tax benefit of \$2.36 million.

The Company's balance sheet shows Net Tangible Assets of \$24.33 million and Net Current Assets of \$7.10 million. Cash and Cash Equivalents at Balance Sheet date of 30 June 2020 was \$9.71 million.

Of note, after going through the significant start-up phase, the Company was able to generate net cash from operating activities of \$1.99 million within the first financial year results period.



## Operational Update

Since the reinstatement to the ASX in September 2019 the Company has quickly moved through the start-up phase and has scaled up to position itself as a premier service provider to the mining industry. The first financial year of operations encompassed key milestone such as:

- the purchase of the drilling assets and inventory from Perenti Ltd (previously Ausdrill);
- the establishment of Vysarn's wholly owned subsidiary Pentium Hydro Pty Ltd;
- the hiring of a 55 person strong team across operations management and drilling contractors;
- the appointment of a group CEO and finance manager;
- nimble management of COVID-19 implications;
- accounting, inventory and business systems put in place;
- safety management systems put in place;
- the award of major contracts to provide water well construction services;
- the subsequent peak deployment of 8 out of 10 purchased drill rigs;
- the purchase of 2 more drill rigs from New Zealand;
- the launch of Pentium Hydro's ISO accreditation process; and
- completing a \$4 million rights issue to strengthen the balance sheet and to provide optionality for the ongoing management of debt and growth initiatives.

During Vysarn's first financial year the Company was able to win Master Service Agreements with Fortescue Metals Group, Roy Hill Iron Ore and Hancock Prospecting, as well as one off scope of work contracts with Iluka Resources, Newcrest Mining, AngloGold Ashanti and Atlas Iron. These contracts were supplemented with a multi-rig dry hire contract with Easternwell Minerals.

Execution of these contracts has enabled the bedding down of the hydrogeological drilling business and the quick establishment of a reputation within industry of being able to provide solutions to execute challenging scopes of work. This performance for clients has enabled the Company to renew contractual terms for our services moving forward into FY2021.

Like all businesses globally and within Australia the spread of COVID-19 early in the calendar year 2020 proved challenging. While business conditions in the Australian resource sector remained resilient,

the management of protecting staff health and the onerous logistical protocols in staff movements to remote locations added additional costs to the business. The collegiate response from the board, staff, contractors and clients to tackle the COVID-19 situation together was admirable.

On the back of COVID-19 and the subsequent global economic uncertainty, the board prudently conducted a rights issue to raise \$4 million to strengthen the Balance Sheet. The rights issue was strongly supported by the Company's shareholder base which has now provided Vysarn with multiple options in either preparing for further COVID-19 related shocks, debt management or funding a multitude of growth options. Consequently, the Balance Sheet is strong.

Organic growth options in the Company's core business continued to present themselves in the financial year. As such, the board took the opportunity to purchase two second-hand dual rotary drill rigs out of New Zealand. While the procurement of new drill rigs is possible, the cost and lead time to bring new rigs to Australia is prohibitive at this juncture of the Company's lifecycle.

Pentium Hydro started the ISO accreditation process in occupational health and safety management systems (ISO 45001:2018), quality management systems (ISO 9001:2015) and environmental management systems (ISO 14001:2015) in the financial year with completion expected by December 2020. This will enable the Company to position itself as a preferred contractor for all tiers of current and prospective clients across multiple industry sectors requiring hydrogeological drilling services.

## Commitment to Safety

Safety for our staff and clients is the bedrock of the Company's operations. A substantial amount of work was completed by our operations team in the writing, training and implementation of the group safety management systems. This work culminated in a Verification of Competency rate of more than 80% across all staff in FY2020 despite the rapid and ongoing growth in the workforce headcount. Lost Time Injuries were zero for the period.

The board and management of the Company continue to view safety as an ongoing key operational focus which requires a culture of constant improvement in safety management systems and performance. While the Company has made great progress in this area the Company considers safety as a job that is never complete.



## Outlook and Strategy

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. Management is of the view that one of the major impediments to production in the resource sector, particularly iron ore, is the abundance of ground water.

Management anticipates that subject to maintaining the Company's current contracts and winning a range of upcoming tenders, that the majority of the drill rig fleet will be deployed and utilised within FY2021. The drill rigs purchased from New Zealand arrived in Fremantle, Western Australia in the first week of September 2020 and are currently being prepared for rig readiness for first quarter calendar year 2021.

While FY2020 EBITDA of \$6.03 million was primarily contributed to by a gain on bargain purchase, management anticipates that subject to rig utilisation, the Company will exceed this financial performance from operational earnings in FY2021. Management also anticipate that a material outperformance of this EBITDA benchmark is possible if several earmarked multi-rig, multi-year contracts are won leading into the June half of FY2021.

Exclusive to drilling, 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. The board is currently reviewing several opportunities both organically and via acquisition. These opportunities encompass minor bolt-on services through to company transformational acquisitions.

The vertical integration strategy also extends to diluting concentration risk associated with having all the Company's current revenue generated within the resource sector. The board and management are therefore focussed on extending the water service strategy across other sectors such as government and agriculture.

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.

**“After going through the significant start-up phase, the Company was able to generate net cash from operating activities of \$1.99 million”**





**“The Acquisition of the Ausdrill Assets underpins the Company’s aim to become a significant provider of production critical services”**



# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2020

The Directors present their report together with the consolidated financial statements of Vysarn Limited ("the Company") and its controlled entity ("the Group") for the financial year ended 30 June 2020 and auditor's report thereon.

## 1. Directors

The names and the particulars of the Directors of the Company during the year and to the date of this report are:

Name	Status	Appointed	Resigned
<b>Peter Hutchinson</b>	Chairman	27 October 2017	-
<b>James Clement</b>	Managing Director and CEO	3 February 2020	-
<b>Sheldon Burt</b>	Executive Director	15 May 2019	-
<b>Christopher Brophy</b>	Executive Director	15 May 2019	28 October 2019
<b>Christopher Brophy</b>	Non-Executive Director	28 October 2019	-
<b>Faldi Ismail</b>	Non-Executive Director	20 December 2016	29 August 2019
<b>Nicholas Young</b>	Non-Executive Director	20 December 2016	29 August 2019

## 2. Significant Changes in State of Affairs

The Company has undertaken a significant change in the nature and scale of its activities during the year through the completion of a transaction with Ausdrill Northwest Pty Ltd ("Ausdrill"), under which it acquired waterwell drilling assets and associated inventory from Ausdrill ("Ausdrill Assets") for cash payment of \$16 million ("Transaction").

On 28 August 2019 the Company issued 7,800,000 shares to the vendors of Pentium Hydro Pty Ltd ("Pentium Hydro") as consideration for all of the issued capital of Pentium Hydro, at which point Pentium Hydro became a controlled entity of the Company. On 29 August 2019 the Company completed the Transaction with Ausdrill via its wholly owned subsidiary Pentium Hydro. Refer to the Notes below for further information.

The Acquisition of the Ausdrill Assets underpins the Company's aim to become a significant provider of production critical services and solutions to the resources, construction and utilities industries. Following completion of the Transaction, the Company has focused on its

business and growth strategy, which will include both organic growth through further utilisation of the Ausdrill Assets, as well as growth through acquisition as the Company seeks opportunities to complement and expand its service offering.

Further, as at 30 June 2019, the Company had accumulated losses of \$22,988,151 from its previous operating activities. On 27 August 2020, the Board of Directors resolved to reduce the Company's share capital by \$22,988,151, in accordance with section 258F of the Corporations Act 2001, reducing accumulated losses deemed to be of a permanent nature by the same amount. There is no impact on shareholders from the capital reduction as no shares have been cancelled or rights varied, and there is no change in the net asset position of the Company. There is also no impact on the availability of the Company's tax losses from this capital reduction.

## 3. Dividends Paid or Recommended

There were no dividends paid, recommended or declared during the current or previous financial year.

## 4. Review of Operations

This is the first annual report from the Company since it was reinstated on the ASX on 9 September 2019 and commenced operations. The Company is pleased to welcome both new and existing shareholders.

The Acquisition of the Ausdrill Assets during the period underpins the Company's aim to become a significant provider of production critical services and solutions to the resources, construction and utilities industries. Following completion of the Transaction, the Company has focused on its business and growth strategy, which has and will continue to include both organic and acquisition growth as the Company seeks opportunities to complement and expand its service offering.

Pentium Hydro, the Company's sole wholly owned subsidiary, is a dedicated hydrogeological, dewatering and conventional drilling business, with a large fleet of state-of-the-art drill rig suites. Pentium Hydro has grown rapidly since commencing operational trading in September 2019 and continues to grow its client base, servicing well known mining companies and contractors at Tier 1 to 3 Level. Pleasingly, the Company continues to receive strong and growing demand from major mining and mining service companies.

Since commencement, the Group has employed high quality employees who have many years of hydrogeological borefield and construction services experience.

The Company is excited by the opportunity to build a strong, profitable business servicing multiple industries. The Group is well positioned for future growth and will be seeking to deliver on its growth strategy through ongoing investments in the resources, construction and utilities industries and its high quality people.

## 5. Likely Developments

The Company will continue to pursue new contract opportunities in Australia for its hydrogeological and dewatering business activities.

## 6. Financial Performance

The profit for the Company after providing for income tax amounted to \$4,835,295 (30 June 2019: Loss of \$483,826).

Working capital, being current assets less current liabilities, was \$7,104,260 (30 June 2019: \$6,924,146). The Company had positive cash flows from operating activities for the year amounting to \$1,989,299 (2019: negative cash flows from operating activities of \$422,620).

Revenue for the year ended 30 June 2020 was \$11.9 million (2019: \$0.16 million). The strong growth was generated primarily from commencement of activities in September 2019 and obtaining new waterwell drilling contracts.

The table below provides a comparison of the key results for the year ended 30 June 2020 to the preceding year ended 30 June 2019:

	30-June 2020	30-June 2019
	(\$)	(\$)

### Statement of Profit or Loss

Revenue from operations	11,912,589	163,459
Reported profit / (loss) after tax	4,835,295	(483,826)

### Statement of Financial Position

Net Assets	24,334,908	6,924,146
Total Assets	40,861,623	7,034,638
Cash and cash equivalents	9,706,113	6,983,931

## 7. Principal Activities

The Company currently operates a hydrogeological and dewatering drilling business; Pentium Hydro, located at a number of mine sites across WA.

The Acquisition of the Ausdrill Assets underpins the Company's aim to become a significant provider of production critical services and solutions to the resources, construction and utilities industries.

## 8. Event Subsequent to Reporting Date

There is no other matter or circumstance that has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

## 9. Industry and Geographic Exposures

The Company is exposed to the Australian mining industry. On a geographic basis, the Company is predominantly exposed to Western Australia.

## 10. Environmental Regulation

In the normal course of business, there are no environmental regulations or requirements that the Company is currently subject to.



## 11. Information on Directors & Company Secretary

### Peter Hutchinson

**Chairman** (Appointed 27 October 2017)

#### Experience and Expertise

Mr Hutchinson holds a Bachelor of Commerce (UWA) and is a Fellow of both the Australian Institute of Company Directors and Certified Practising Accountants. Mr Hutchinson has at the most senior level managed a diverse portfolio of investments in manufacturing, engineering, construction and property over a 30-year period.

Mr Hutchinson was a Non-Executive Director of Zeta Resources (formerly Kumarina Resources Ltd). Mr Hutchinson was the founding director of ASX listed Forge Group Ltd, floated in 2007 with a market capitalisation of \$12m and reaching over \$450m at the time of Mr Hutchinson's resignation as CEO and final sell down in July 2012. More recently Mr Hutchinson has chaired ASX listed company Resource Equipment Ltd and was the founding shareholder and Chairman of Mareterram Ltd, both the subject of successful takeover bids at significant premiums to market prices.

Mr Hutchinson has substantial experience in mergers and acquisitions, prospectus preparation, ASX listing, compliance and corporate governance, company secretarial requirements and exit strategies, and has been a Member of Audit, Remuneration and Nomination Committees, often as Chairman.

#### Other current listed directorships

N/A

#### Former listed directorships (last 3 years)

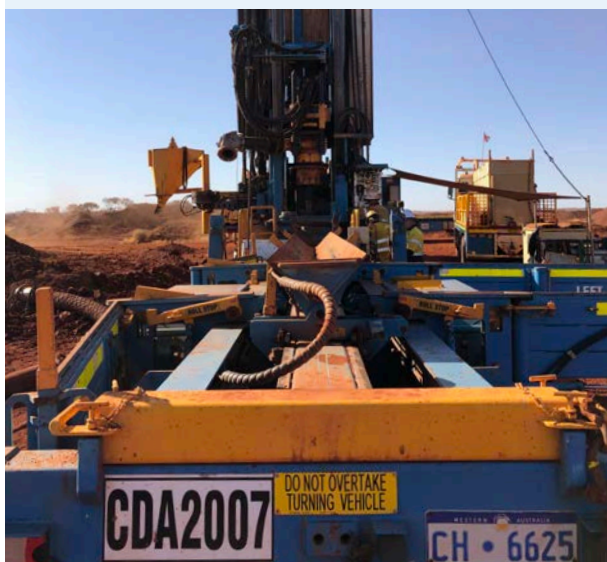
Mareterram Limited (ceased 23 November 2017)

#### Interests in shares

56,000,000 fully paid ordinary shares

#### Interests in options

10,000,000 options



### James Clement

#### Managing Director and CEO

(appointed 3 February 2020)

#### Experience and Expertise

Mr Clement holds a Master of Business Administration, a Bachelor of Science, a Graduate Diploma of Agribusiness, a Graduate Certificate in Applied Finance and is a Graduate of the Australian Institute of Company Directors. He is an experienced ASX company director with a demonstrated history of successfully managing and leading businesses in the finance and agribusiness industries. He is skilled in strategy, cultural change, team building, management, and mergers & acquisitions.

Prior to his appointment at Vysarn Ltd, Mr Clement was previously the Managing Director and CEO of sustainable agricultural company Mareterram Ltd. He led the cornerstone asset acquisitions, the ASX listing of the company and its subsequent successful takeover at a significant premium to the market price.

Mr Clement is currently a director of the Fremantle Football Club and is a past director and vice chairman of the Western Australia Fishing Industry Council. He also has over a decade of experience in finance and investment during his time as an institutional dealer and retail fund manager for financial service companies specialising in Western Australian small cap industrial and resource companies..

#### Other current listed directorships:

N/A

#### Former listed directorships (last 3 years)

Mareterram Limited (ceased 15 April 2019)

#### Interests in shares

13,366,315 fully paid ordinary shares

#### Interest in options

10,000,000 options

#### Interest in performance rights

5,000,000 performance rights

## Sheldon Burt

**Executive Director** (appointed 15 May 2019)

### Experience and Expertise

Mr Burt is a drilling industry professional with over 30-years national and international experience. He started his career as a Drillers Offsider in 1986 and has held many differing roles over the years which include field based, operational, senior management, executive management and company ownership.

Mr Burt's international experience extends from South East Asia to the Middle East and West Africa. In 2004 he co-founded and was the Managing Director of SBD Drilling, a Perth based exploration drilling company with successful operations in Australia and West Africa, before selling in July 2011.

More recently Mr Burt was General Manager of Easternwell Minerals, a subsidiary of Broadspectrum (formerly Transfield Services Ltd), a position he held for 6-years.

### Other current listed directorships

N/A

### Former listed directorships (last 3 years)

N/A

### Interests in shares

6,117,315

### Interest in performance rights

5,000,000

## Christopher Brophy

**Non-Executive Director** (appointed 15 May 2019)

### Experience and Expertise

Mr Brophy is an accomplished business leader with 15+ years of senior leadership and consulting experience with the Mining, Oil & Gas and Infrastructure industries. Mr Brophy is a specialist in strategy, portfolio growth, financial and operational restructuring.

Mr Brophy currently holds the role of CEO for OnContrator and prior to this was Maintenance Service Director for the TRACE JV and Woodside Offshore Portfolio Manager Broadspectrum.

Mr Brophy holds a Master of Business Administration, a Masters of Science in Mineral and Energy Economics and is a member of the Australian Institute of Company Directors (MAICD).

### Other current listed directorships

N/A

### Former listed directorships (last 3 years)

N/A

### Interests in shares

2,925,000

## Faldi Ismail

**Former Non-Executive Director**

(resigned 29 August 2019)

### Experience and Expertise

Mr Ismail has significant experience working as a corporate advisor specialising in the restructure and recapitalisation of various of ASX listed companies having many years of investment banking experience covering a wide range of sectors. Mr Ismail has significant cross border experience, having advised on numerous overseas transactions including capital raisings, structuring of acquisitions and joint ventures in numerous countries.

### Other current directorships

Ookami Limited

### Former directorships (last 3 years)

Dotz Nano Limited (ceased 1 February 2018)

Flamingo AL Limited (ceased 27 June 2017)

Quantify Technology Holdings Limited (ceased 1 March 2017)

TV2U International Limited (ceased 21 October 2016)

### Interests in shares

N/A

## Nicholas Young

**Former Non-Executive Director**

(resigned 29 August 2019)

### Experience and Expertise

Mr Young holds a Bachelor of Commerce, majoring in Accounting and Finance, is a Chartered Accountant and has completed the Insolvency Education Program at the Australian Restructuring Insolvency and Turnaround Association. Mr Young commenced his career in the Corporate Restructuring division of an accounting firm and has gained valuable experience in Australia and Southern Africa, across a wide range of industries, including mining and exploration, mining services, renewable energy, professional services, manufacturing and transport. Mr Young has been involved in the recapitalisation and transformation of various ASX-listed companies.

### Other current directorships

Bunji Corporation Limited

### Former directorships (last 3 years)

Raiden Resources Limited (ceased 25 March 2019)

Calidus Resources Limited (ceased 13 June 2017)

### Interests in shares

N/A



## 11. Information on Directors &amp; Company Secretary continued...

**Kyla Garic****Company Secretary**

(appointed 15 November 2017)

**Experience and Expertise**

Ms Garic is a Chartered Accountant and Director of Onyx Corporate. Onyx Corporate provides financial reporting, accounting, company secretarial and other services primarily to ASX listed companies. Ms Garic has acted as a non-executive Director and Company Secretary for a number of ASX listed companies.

**12. Meetings of Directors**

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2020, and the number of meetings attended by each Director is set out below:

Director	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended
Peter Hutchinson	16	16	1	1	1	1
James Clement	7	7	1	1	1	1
Sheldon Burt	16	16	1	1	1	1
Chris Brophy	16	15	1	1	1	1
Nicholas Young	3	3	0	0	0	0
Faldi Ismail	3	3	0	0	0	0

*Held: Represents the number of meetings held during the time the Directors held office.*

*Given the size of the Company, the full Board of Directors fulfilled the role required for the Audit and Remuneration Committees. There are no separate committees and all matters are dealt with by the full Board.*

**13. Indemnity and Insurance of Officers**

To the extent permitted by law, the Company has indemnified the Directors and executives of the Company for costs incurred, in their capacity as a Director or executive, for which they may be held personally liable.

During the financial year, the Company paid a premium in respect of a contract to insure the Directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers in the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to

apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

**Indemnity and Insurance of Auditor**

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

**14. Shares Under Option**

At 30 June 2020, the unissued ordinary shares of the Company under options are as follows:

Grant Date	Expiration Date	Exercise Price (\$)	Number Under Option
05-Jul-19	05-Jul-24	0.054	10,000,000
03-Feb-20	05-Jul-23	0.075	5,000,000
03-Feb-20	05-Jul-24	0.075	5,000,000
<b>Total</b>	<b>-</b>	<b>-</b>	<b>20,000,000</b>

No shares have been issued during or since the year end as a result of the exercise of options.

## 15. Shares Under Performance Rights

At 30 June 2020, the unissued ordinary shares of the Company under performance rights are as follows:

Grant Date	Date of Vesting	Vesting Conditions	Number Under Performance Rights
28-Aug-19	30-Jun-22	Employment and cumulative EPS condition	1,666,666
28-Aug-19	30-Jun-23	Employment and cumulative EPS condition	1,666,666
28-Aug-19	30-Jun-24	Employment and cumulative EPS condition	1,666,668
30-Jan-20	30-Jun-22	Employment and cumulative EPS condition	1,666,666
30-Jan-20	30-Jun-23	Employment and cumulative EPS condition	1,666,666
30-Jan-20	30-Jun-24	Employment and cumulative EPS condition	1,666,668
<b>Total</b>			<b>10,000,000</b>

## 16. Proceedings on Behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

## 17. Non-Audit Services

The Company may decide to employ the auditor on assignments in addition to their statutory audit duties where the auditor's expertise and experience with the Company are important. Non-audit services provided during the financial year by the auditor are detailed below. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Acts 2001.

	30-June-20	30-June-19
	\$	\$
<b>Amount paid/payable to Pitcher Partners BA&amp;A Pty Ltd or related entities for non-audit services</b>		
Pitcher Partners Accountants & Advisors WA Pty Ltd – Taxation compliance services	19,669	4,555
<b>Total auditors' remuneration for non-audit services</b>	<b>19,669</b>	<b>4,555</b>

In the event that non-audit services are provided by Pitcher Partners BA&A Pty Ltd or related entities, the Board has established certain procedures to ensure that the provision of non-audit services are compatible with, and do not compromise, the auditors independence requirement of the Corporation Act 2001. These procedures include:

- Non-audit services will be subject to the corporate governance procedures adopted by the Company and will be reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor and other general principles to independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards); and
- Ensuring non-audit services do not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing risks and rewards.
- Decision on non-audit services were decided upon by the full Board in the absence of any audit committee meetings.

## 18. Auditor's Independence Declaration

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 (Cth) for the year ended 30 June 2020 has been received and can be found on page 27 of the financial report.

## 19. Rounding of Amounts

In accordance with ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191, the amounts in the Directors' report and in the financial report have been rounded to the nearest \$1 (where rounding is applicable).



# Remuneration Report

(Audited)

The remuneration report for the year ended 30 June 2020 outlines the remuneration arrangement of the Company in accordance with the requirements of the Corporations Act 2001 (Cth), as amended (the Act) and its regulations. This information has been audited, as required by section 308(3C) of the Act.

The remuneration report is set out under the following main headings:

1. Introduction
2. Remuneration governance
3. Executive remuneration arrangement
4. Non-Executive Director fee arrangement
5. Details of remuneration
6. Share-based compensation
7. Loans to Directors and executives
8. Other transactions and balances with KMP and their related parties
9. Key performance indicators of the Company over the last 5 years

Details of the nature and amount of each element of the remuneration of each of the Key Management Personnel ("KMP") of the Company (the Directors and executives) for the year ended 30 June 2020 are set out below:

Key Management Personnel covered under this report are as follows:

Name	Status	Appointed	Resigned
Peter Hutchinson	Chairman	27 October 2017	-
James Clement	Managing Director and CEO	3 February 2020	-
Sheldon Burt	Executive Director	15 May 2019	-
Christopher Brophy	Executive Director	15 May 2019	28 October 2019
Christopher Brophy	Non-Executive Director	28 October 2019	-
Faldi Ismail	Non-Executive Director	20 December 2016	29 August 2019
Nicholas Young	Non-Executive Director	20 December 2016	29 August 2019

## 1. Introduction

KMP have authority and responsibility for planning, directing and controlling the major activities of the Group. KMP comprise the Directors of the Company.

Compensation levels for KMP are competitively set to attract and retain appropriately qualified and experienced Directors and executives. The Board may seek independent advice on the appropriateness of compensation packages, given the trend in comparative companies both locally and internationally and objectives of the Company's compensation strategy.

### Principles used to determine the nature and amount of remuneration

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and

the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ("the Board") ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness and reasonableness;
- Acceptability to shareholders;
- Performance linkage/alignment of executive compensation;
- Transparency; and
- Capital management.

The Board is responsible for determining and reviewing remuneration arrangements for its Directors and executives. The performance of the Company depends on the quality of its Directors

## 1. Introduction continued...

and executives. The remuneration philosophy is to attract, motivate and retain high performing and high-quality personnel. The Company has structured a market competitive executive remuneration framework. The reward framework is designed to align executive reward to shareholders' interests.

The Board has considered that it should seek to enhance shareholders' interests by:

- Focusing on shareholder value and returns; and
- Attracting and retaining high caliber executives.
- Additionally, the reward framework should seek to enhance executives' interests by:
- Rewarding capability and experience;
- Reflecting a competitive reward for contribution to growth in shareholder wealth;
- Providing a clear structure for earning rewards; and
- Providing recognition for contribution.

## 2. Remuneration Governance

The Directors believe the Company is not currently of a size nor are its affairs of such complexity as to warrant the establishment of a separate remuneration committee. Accordingly, all remuneration matters are considered by the full Board of Directors, in accordance with a nomination and remuneration committee charter. During the financial year, the Company did not engage any remuneration consultants.



## 3. Executive Remuneration Arrangement

The compensation structures are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. Compensation packages may include a mix of fixed compensation, equity-based compensation, as well as employer contributions to superannuation funds. Shares and options may only be issued to Directors subject to approval by shareholders in a general meeting.

The compensation structures take into account:

- The capability and experience of the executive;
- The executive's ability to control the relevant segment's performance; and
- The Company's performance including:
  - The Company's earnings; and
  - The growth in share price and delivering constant returns on shareholder wealth.

The short-term incentives ("STI") program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ("KPI's") being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and product management. The long-term incentives ("LTI") include long service leave and share-based payments. Shares are awarded to executives based on long-term incentive measures. These include increase in shareholders' value relative to the entire market. The Board reviewed the long-term equity-linked performance incentives specifically for executives during the year ended 30 June 2020.

### Consolidated Entity Performance and Link to Remuneration

Remuneration for certain individuals is directly linked to the performance of the Company. A portion of cash bonus and incentive payments, including performance rights, are dependent on defined earnings per share targets being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Board.

The Board is of the opinion that the continued improved results can be attributed in part to the adoption of performance-based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.



## 3. Executive Remuneration Arrangement continued...

**Voting and comments made at the company's 2019 Annual General Meeting ("AGM")**

The Company received more than 99% of "yes" votes on its remuneration report for the 2019 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

The key terms of Mr Burt and Mr Clement's agreements are set out below;

**James Clement**  
**Managing Director and CEO**

**(a) Term of agreement:** commencing 3 February 2020 with indefinite duration.

**(b) Remuneration:**

- (i) a base salary of \$350,000 per annum, including mandatory superannuation contributions;
- (ii) a short-term incentive of up to \$100,000 per annum, subject to the achievement of certain short-term incentive key performance indicators; and
- (iii) a long-term incentive being the issue of 5,000,000 performance rights and 10,000,000 options upon commencement.

**(c) General termination:**

the agreement can be terminated:

- (i) by either party for no reason by giving 3 months' notice in writing to the other party; and
- (ii) by the Company effective immediately in the event the executive Director is guilty of gross misconduct, becomes bankrupt or insolvent, is convicted of a criminal offence or other similar grounds.

**Sheldon Burt**  
**Executive Director**

**(a) Term of agreement:** commencing 29 August 2020 with indefinite duration.

**(b) Remuneration:**

- (i) a base salary of \$300,000 per annum, including mandatory superannuation contributions;
- (ii) a short-term incentive of up to \$150,000 per annum, subject to the achievement of certain short-term incentive key performance indicators; and
- (iii) a long-term incentive being the issue of 5,000,000 performance rights.

**(c) General termination:** the agreement can be terminated:

- (i) by either party for no reason by giving 3 months' notice in writing to the other party;
- (ii) by the executive Director if the Company breaches the agreement and does not remedy the breach within 10 business days on notice of breach; and

- (iii) by the Company effective immediately in the event the executive Director is guilty of gross misconduct, becomes bankrupt or insolvent, is convicted of a criminal offence or other similar grounds.

**(d) Termination on material diminution:** an executive Director can terminate the agreement if he suffers material diminution in his status or position in the Company. If this occurs:

- (i) within 2 years of employment, the Company will pay the executive Director an amount equal to 3 months base salary, and 50% of the performance rights held by him shall vest subject to any restrictions the Board may impose; and
- (ii) after 2 years of employment, the Company will pay the executive Director an amount equal to 3 months base salary, and all of the performance rights held by him shall vest subject to any restrictions by the Board may impose.

**Chris Brophy**

**Executive Director** (resigned 28 October 2019, transitioning into role of non-executive Director)

**(a) Term of agreement:** commencing 29 August 2020 with indefinite duration.

**(b) Remuneration:**

- (i) a base salary of \$300,000 per annum, including mandatory superannuation contributions;
- (ii) a short-term incentive of up to \$150,000 per annum, subject to the achievement of certain short-term incentive key performance indicators; and
- (iii) a long-term incentive being the issue of 5,000,000 performance rights.

**(c) General termination:** the agreement can be terminated:

- (i) by either party for no reason by giving 3 months' notice in writing to the other party;
- (ii) by the executive Director if the Company breaches the agreement and does not remedy the breach within 10 business days on notice of breach; and
- (iii) by the Company effective immediately in the event the executive Director is guilty of gross misconduct, becomes bankrupt or insolvent, is convicted of a criminal offence or other similar grounds.

## 3. Executive Remuneration Arrangement continued...

- (d) Termination on material diminution: an executive Director can terminate the agreement if he suffers material diminution in his status or position in the Company. If this occurs:
- (i) within 2 years of employment, the Company will pay the executive Director an amount equal to 3 months base salary, and 50% of the performance rights held by him shall vest subject to any restrictions the Board may impose; and
  - (ii) after 2 years of employment, the Company will pay the executive Director an amount equal to 3 months base salary, and all of the performance rights held by him shall vest subject to any restrictions by the Board may impose.

## 4. Non-Executive Director Fee Arrangement

Fees and payments to non-executive Directors reflect the demands and responsibilities of their role. Non-executive Directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive Directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of other non-executive Directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to the determination of his own remuneration.

The maximum aggregate amount of fees that can be paid to non-executive Directors is presently limited to an aggregate of \$200,000 per annum and any change in subject to approval by shareholder at the general meeting. Fees for non-executive Directors are not linked to the performance of the Company.

The table below summarises the annual fees payable to non-executive Directors for the 2020 financial year (inclusive of superannuation):

Board Fees – per annum	Board	Committee	Total
	\$	\$	\$
Chair <sup>1</sup>	42,000	-	42,000
Non-Executive Directors	30,000	-	30,000

## 1. Commencing 1 March 2020

Non-executive Directors may be reimbursed for expenses reasonably incurred in attending to the Company's affairs. Non-executive Directors do not receive retirement benefits. The Company or the non-executive Directors can terminate the above arrangements at any time upon written notice being provided, with no minimum notice period applicable.





## 5. Details of Remuneration

Details of the remuneration of key management personnel of the Company are set out in the following tables.

	Short-term benefits				Post-employment	Equity	Total
	Short-term Salary, Fees & Commissions	STI cash bonus	Non-monetary benefits	Other employee benefits	Post-employment Superannuation	Share-based payments	
2020	\$	\$	\$	\$	\$	\$	\$

### Chairman

Peter Hutchinson <sup>4</sup>	12,785	-	-	-	1,215	1,078,000	1,092,000
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### Executive Directors

James Clement <sup>1</sup>	137,082	25,000	6,118	-	8,751	123,000	299,952
Sheldon Burt <sup>2</sup>	258,498	75,000	-	-	17,615	-	351,113
Christopher Brophy <sup>3</sup>	147,500	-	-	-	3,613	-	151,113

### Non-Executive Director

Christopher Brophy <sup>3</sup>	9,132	-	-	-	868	-	10,000
Former Directors							
Faldi Ismail <sup>5</sup>	-	-	-	-	-	229,500	229,500
Nicholas Young <sup>5</sup>	-	-	-	-	-	229,500	229,500
<b>Total</b>	<b>564,997</b>	<b>100,000</b>	<b>6,118</b>	<b>-</b>	<b>32,062</b>	<b>1,660,000</b>	<b>2,363,178</b>

1. The amount of \$6,118 disclosed as a non-monetary benefit for Mr Clement is a salary sacrificed amount pertaining to a novated lease on a motor vehicle. The STI of \$25,000 is a cash incentive payable on accomplishment of certain role-specific, financial and non-financial measures determined by the Board and remained unpaid as at 30 June 2020.
2. Mr Burt, per his respective employment agreement, was entitled to a short-term incentive (STI) in the form of a cash bonus payment. The amount shown as STI of \$75,000 is a cash incentive payable on accomplishment of company set short-term incentive criteria that were based on achievement of financial performance, role-specific non-financial measures and a service retention component. The STI period was for the period 1 July 2019 to 30 June 2020 and remained unpaid as at 30 June 2020. \$14,000 of the above amount paid to Mr Burt for services rendered was paid to his related party Connada Pty Ltd for his time as a non-executive Director.
3. Mr Brophy was originally employed as an executive Director before transitioning to the role of non-executive on 28 October 2019. Included within Mr Brophy's remuneration were fees of \$151,113 and \$10,000 respectively for executive and non-executive services provided. \$89,000 of the above amounts paid to Mr Brophy was paid to his related party, Insight Ecosys Pty Ltd.
4. \$837,000 of the share-based payments amount recognised for Mr Hutchinson related to the Director past services offer, approved at the General Meeting on 5 July 2019. Mr Hutchinson did not receive any remuneration from the Company since his appointment as Chairman in October 2017 until completion of the Acquisitions. The Company subsequently agreed to pay Mr Hutchinson a fee of \$837,000 (value in cash or shares) on completion of the Acquisitions. The remaining amount in share-based payments provided to Mr Hutchinson was for options provided in lieu of remuneration for the first 6 months of his appointment as Chairman. Refer to section 6 of this remuneration report for further information.
5. Mr Ismail and Mr Young's share-based payments related to the Director past services offer, approved at the General Meeting on 5 July 2019. Mr Ismail and Mr Young both resigned as non-executive Directors on 29 August 2019. Refer to section 6 of this remuneration report for further information.

## 5. Details of Remuneration continued...

	Short-term benefits				Post-employment	Equity	Total
	Short-term Salary, Fees & Commissions	STI cash bonus	Non-monetary benefits	Other employee benefits	Post-employment Superannuation	Share-based payments	
2019	\$	\$	\$	\$	\$	\$	\$

**Chairman**

Peter Hutchinson	-	-	-	-	-	-	-
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**Non-Executive Directors**

Sheldon Burt <sup>2</sup>	21,000	-	-	-	-	-	21,000
Christopher Brophy <sup>2</sup>	21,000	-	-	-	-	-	21,000
Faldi Ismail <sup>1</sup>	66,000	-	-	-	-	-	66,000
Nicholas Young <sup>1</sup>	66,000	-	-	-	-	-	66,000
<b>Total</b>	<b>174,000</b>	-	-	-	-	-	<b>174,000</b>

1. Mr Ismail and Mr Young's Director fees were for the period November 2017 to March 2019.
2. Mr Brophy and Mr Burt were appointed as non-executive Directors on 15 May 2019. For the financial year ending 30 June 2019, Mr Brophy and Mr Burt did not receive director fee payments. The payments made to Mr Brophy and Mr Burt were for project management and consultation services received in relation to the Ausdrill transaction and made to their respective related parties, Insight Ecosys Pty Ltd and Connada Pty Ltd.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed Remuneration		At Risk STI		At Risk LTI	
	2020	2019	2020	2019	2020	2019

**Directors**

Peter Hutchinson	78%	-	-	-	22%	-
James Clement	51%	-	8%	-	41%	-
Sheldon Burt	79%	100%	21%	-	-	-
Chris Brophy	100%	100%	-	-	-	-
Faldi Ismail	100%	-	-	-	100%	-
Nicholas Young	100%	-	-	-	100%	-

Cash bonuses are dependent on meeting defined performance measures. The amount of the bonus is determined having regard to the satisfaction of performance measures and weightings. The maximum bonus values are established at the start of each financial year and amounts payable are determined in the final month of the financial year by the Board.



## 6. Share-based Compensation

### Issue of Shares

During the year ended 30 June 2020 the Company recorded the following share-based payments with Directors, executives, and their related parties:

#### Remuneration of Directors for Past Services

At the General Meeting held 5 July 2019, the issue of 24,000,000 shares to Directors was approved as remuneration for past services under the Director past services offer to Directors. The shares were valued based on the public offer price of \$0.054.

Mr Peter Hutchinson (or nominee) received 15,500,000 shares equivalent to a fee of \$837,000 under the Director past services offer. Mr Nicholas Young (or nominee) received 4,250,000 shares equivalent to a fee of \$229,500 under the Director past services offer. Mr Faldi Ismail (or nominee) received 4,250,000 shares equivalent to a fee of \$229,500 under the Director past services offer. These amounts are included as share based payments within the 30 June 2020 year.

#### Pentium Hydro Offer

The issue of 7,800,000 shares to Pentium Hydro vendors as consideration for the Company's acquisition of the entire issued capital of Pentium Hydro under the Pentium Hydro offer. The shares were valued based on the public offer price of \$0.054. A total of 7,800,000 shares were issued to related party vendors of the Company as noted below.

Connada Pty Ltd an entity controlled by executive Director Mr Sheldon Burt received 2,925,000 shares under the Pentium Hydro offer equivalent

to consideration of \$157,950. Insight Ecosys Pty Ltd an entity controlled by non-executive Director Mr Chris Brophy received 2,925,000 shares under the Pentium Hydro offer equivalent to consideration of \$157,950. Artificial Holdings Pty Ltd a nominee of Mr Sheldon Burt and Mr Chris Brophy received 1,170,000 shares under the Pentium Hydro offer equivalent to consideration of \$63,180. STRK Corporate Pty Ltd a nominee of Mr Sheldon Burt and Mr Chris Brophy received 780,000 shares under the Pentium Hydro offer equivalent to consideration of \$42,120.

### Executive Performance Rights

During the year ended 30 June 2020, the Company issued 15,000,000 executive performance rights in three tranches as performance incentives for executive Directors Mr Chris Brophy, Mr Sheldon Burt, and Managing Director, Mr James Clement.

On 28 October 2019, Mr Chris Brophy transitioned from executive Director to non-executive Director. The 5,000,000 executive performance rights issued to Mr Brophy lapsed given his employment condition as an executive was no longer met. These unvested, lapsed performance rights were then cancelled.

As at 30 June 2020, 10,000,000 performance rights were on issue and outstanding. Each performance right will convert on a 1:1 basis to fully paid ordinary shares upon achievement of their relevant vesting conditions (refer below).

Vesting of the performance rights is subject to achievement of vesting conditions as follows:

Tranche	Number of Performance Rights on Issue	Condition Test Date	Vesting Condition
1	3,333,333	30 June 2022	Employment condition <sup>1</sup> Cumulative EPS condition <sup>2</sup>
2	3,333,333	30 June 2023	
3	3,333,334	30 June 2024	

#### Where the:

- 1. Employment condition** – means the holder of the rights remains employed by the Company at the condition test date.
- 2. Cumulative EPS condition** – means the earnings per share (EPS) based on the achievement of compound annual growth in the Company's EPS of 15% per annum from the financial year 30 June 2020, subject to a minimum EPS of \$0.01 for the financial year ending 30 June 2020. The EPS calculation will be based on the Company's cumulative net profit after tax up until the relevant condition test date divided by the weighted average number of shares on issue over the relevant period, taking into account any new shares issued (or cancelled by the Company in the relevant period).

## Movements in Performance Rights

The movement during the reporting period in the number of performance rights in the Company held, directly, indirectly or beneficially, by each key management personnel, including their related parties, is as follows:

Key Management Personnel	Opening balance	Granted as compensation	Exercised	Unvested, Lapsed and Cancelled	Closing balance	Vested during the year
2020	No.	No.	No.	No.	No.	No.
Peter Hutchinson	-	-	-	-	-	-
James Clement	-	5,000,000	-	-	5,000,000	-
Sheldon Burt	-	5,000,000	-	-	5,000,000	-
Christopher Brophy	-	5,000,000	-	(5,000,000)	-	-
Faldi Ismail	-	-	-	-	-	-
Nicholas Young	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>15,000,000</b>	<b>-</b>	<b>(5,000,000)</b>	<b>10,000,000</b>	<b>-</b>

## Performance Rights on Issue at Year End

At 30 June 2020, the unissued ordinary shares of the Company under performance rights are as follows:

Class	Number Under Performance Rights	Value at Grant Date	Date of Vesting	Management Probability Assessment	Fair Value
		(\$)		30-Jun-20	(\$)
A	3,333,332	191,666	30-Jun-22	0%	-
B	3,333,332	191,667	30-Jun-23	0%	-
C	3,333,336	191,667	30-Jun-24	0%	-
<b>Total</b>	<b>10,000,000</b>	<b>575,000</b>			<b>-</b>

The executive performance rights have been valued based on the Company's share price as at the date of their approval for issue. A total valuation of \$575,000 has been determined, assuming satisfaction of performance conditions in full and 100% vesting rate.

At 30 June 2020 the Company has assessed the likelihood of the achievement of the vesting conditions in respect of tranches 1 – 3 of the executive performance rights and determined that the achievement of the vesting conditions is uncertain at this point in time.

As a result, no share-based payment was recorded in relation to the performance rights during the year ended 30 June 2020, representing the Company's best estimate of the performance rights that will eventually vest.

## Options

During the year ended 30 June 2020 the Company issued the following options over ordinary shares to Directors.

### Chairman Option Offer

The issue of 10,000,000 options exercisable at \$0.054 on or before 28 August 2024 as performance incentives under the Chairman options offer.

The options were issued to Chairman Mr Peter Hutchinson in lieu of cash fees for the first 6 months following completion of the Acquisitions. These options have been valued using a Hoadley option pricing model in the absence of any agreed remuneration amount for Mr Peter Hutchinson's services as Chairman. Under the terms outlined in the Chairman's employment agreement, the Chairman agreed not to receive any Director fees for a period of 6 months from completion of the Transaction. Subsequently, the Board resolved to commence paying the Chairman a Director's fee from 1 March 2020. Refer to Note 4 in the Director's Report for further details.



## 6. Share-based Compensation continued...

**Managing Director Option Offer**

The issue of 10,000,000 options to Managing Director Mr James Clement as part of his remuneration package. The shares were valued based on the public offer price of \$0.054.

The Chairman and Director options issued have been valued using a Hoadley option pricing model utilising the following inputs:

Options	Chairman Options	Managing Director Options	
		Class A	Class B
Number of options	10,000,000	5,000,000	5,000,000
Grant date	5-Jul-19	3-Feb-20	3-Feb-20
Share price at grant date	\$0.033	\$0.67	\$0.67
Issue date	28-Aug-19	3-Feb-20	3-Feb-20
Exercise price	\$0.054	\$0.075	\$0.075
Expected volatility	100%	39%	39%
Implied option life	5 years	3 years	3 years
Expected dividend yield	-	-	-
Risk free rate	1.50%	0.70%	0.70%
Performance hurdle	-	30-day VWAP of \$0.085	30-day VWAP of \$0.100
Valuation per option \$	\$0.0241	\$0.012734	\$0.011866
<b>Total valuation</b>	<b>\$241,000</b>	<b>\$63,670</b>	<b>\$59,330</b>

**Options Over Equity Instruments**

During and since the end of the financial year, the Company did not issue ordinary shares as a result of the exercise of options (there are no amounts unpaid on the shares issued).

The movement during the reporting period in the number of options over ordinary shares in the Company held, directly, indirectly or beneficially, by each key management personnel, including their related parties, is as follows:

Key Management Personnel	Opening balance	Granted as compensation	Exercised	Expired	Closing balance	Vested during the year	Vested and exercisable at the end of the year	Unvested and not exercisable at the end of the year
Peter Hutchinson	-	10,000,000	-	-	10,000,000	10,000,000	10,000,000	-
James Clement	-	10,000,000	-	-	10,000,000	-	10,000,000	-
Sheldon Burt	-	-	-	-	-	-	-	-
Chris Brophy	-	-	-	-	-	-	-	-
Faldi Ismail	-	-	-	-	-	-	-	-
Nicholas Young	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>20,000,000</b>	<b>-</b>	<b>-</b>	<b>20,000,000</b>	<b>20,000,000</b>	<b>20,000,000</b>	<b>-</b>

## 6. Share-based Compensation continued...

**Shareholding**

The number of shares in the Company held during the financial year by each Director and other members of key management personnel of the Company, including their personally related parties, is set out below:

	Opening balance	Granted as compensation	Received on exercise of options	Purchases	Other	Closing balance
<b>30 June 2020</b>						
Peter Hutchinson	16,978,955	15,500,000	-	23,521,045	-	56,000,000
James Clement	-	-	-	13,366,315	-	13,366,315
Sheldon Burt <sup>1</sup>	-	-	-	3,192,315	2,925,000	6,117,315
Chris Brophy <sup>1</sup>	-	-	-	-	2,925,000	2,925,000
Faldi Ismail <sup>2</sup>	-	4,250,000	-	-	(4,250,000)	-
Nicholas Young <sup>2</sup>	-	4,250,000	-	-	(4,250,000)	-
<b>Total</b>	<b>16,978,955</b>	<b>24,000,000</b>	<b>-</b>	<b>40,079,675</b>	<b>(2,650,000)</b>	<b>78,408,630</b>

**30 June 2019**

Peter Hutchinson	16,978,955	-	-	-	-	16,978,955
James Clement	-	-	-	-	-	-
Sheldon Burt	-	-	-	-	-	-
Chris Brophy	-	-	-	-	-	-
Faldi Ismail <sup>1</sup>	-	-	-	-	-	-
Nicholas Young <sup>1</sup>	-	-	-	-	-	-
<b>Total</b>	<b>16,978,955</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,978,955</b>

1. Received as consideration under the Pentium Hydro offer.

2. Resigned 29 August 2019.

**7. Loans to Directors and Executives**

There are no loans to Directors or other KMP of the Company during the year ended 30 June 2020 (2019 \$Nil)

**8. Other Transactions and Balances with KMPs and Their Related Parties**

Purchases from and sales to related parties are made on terms equivalent to those that prevail in arm's length transactions. The Company acquired the following services from entities that are controlled by members of the Company's KMP.

Some Directors, or former Directors of the Company, hold or have held positions in other companies, where it is considered they control or significantly influence the financial or operating policies of those entities. Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.



## 8. Other Transactions and Balances with KMPs and Their Related Parties continued...

Related party	Nature of Transactions	Transaction Value		Payable Balance	
		30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
		\$	\$	\$	\$
Connada Pty Ltd / Mr Sheldon Burt <sup>1</sup>	Shares issued under the Pentium Hydro offer (acquisition)	157,950	-	-	-
Insight Ecosys Pty Ltd / Mr Chris Brophy <sup>2</sup>	Shares issued under the Pentium Hydro offer (acquisition)	157,950	-	-	-
Otsana Pty Ltd trading as Otsana Capital / Mr Faldi Ismail and Mr Nicholas Young	Lead manager and capital raising services	653,702	30,000	11,000	-
Onyx Corporate Pty Ltd / Mr Nicholas Young, Mr Faldi Ismail and Ms Kyla Garic	Accounting and company secretarial services	224,251	54,150	11,034	-

1. Connada Pty Ltd an entity controlled by Mr Burt received \*2,925,000 shares under the Pentium Hydro offer equivalent to consideration of \$157,950.

2. Insight Ecosys Pty Ltd an entity controlled by Mr Brophy received \*2,925,000 shares under the Pentium Hydro offer equivalent to consideration of \$157,950.

There were no trade receivables to related parties for the financial year ending 30 June 2020 (2019: \$Nil).

\* Mr Burt and Brophy received 5,850,000 collectively of the 7,800,000 shares issued under the Pentium Hydro offer. Artificial Holdings Pty Ltd a nominee of Mr Sheldon Burt and Mr Chris Brophy received 1,170,000 shares under the Pentium Hydro offer equivalent to consideration of \$63,180. STRK Corporate Pty Ltd a nominee of Mr Sheldon Burt and Mr Chris Brophy received 780,000 shares under the Pentium Hydro offer equivalent to consideration of \$42,120. Refer to Note 22 for further details.

## 9. Key Performance Indicators of the Company Over the Last 5 Years

Consolidated	30-June-20	30-June-19	30-June-18	30-June-17	30-June-16
	(\$)	(\$)	(\$)	(\$)	(\$)
Revenue	11,912,589	163,459	132,453	75,008	365,498
Net profit / (loss) before tax	2,472,743	(483,826)	296,558	37,842	4,904,898
Net profit / (loss) after tax	4,835,295	(483,826)	296,558	37,842	4,904,898
Share price at start of year	N/A	N/A	N/A	0.350	0.017
Share price at end of year	0.05	N/A	N/A	0.350	0.030
Interim and final dividend	-	-	-	-	-
Basic profit / (loss) per share (cents)	0.0178	(0.3550)	0.2180	(0.4160)	3.0810

## End of Remuneration Report.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

Signed in accordance with a resolution of the Board of Directors

**James Clement**

Managing Director and Chief Executive Officer

Dated 27 August 2020





**“The board and management of the Company continue to view safety as an ongoing key operational focus which requires a culture of constant improvement in safety management systems and performance”**



# Auditor's Independence Declaration

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001



## AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF VYSARN LIMITED

In relation to the independent audit for the year ended 30 June 2020, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) No contraventions of APES 110 *Code of Ethics for Professional Accountants* (including *Independence Standards*).

This declaration is in respect of Vysarn Limited and the entity it controlled during the year.

Pitcher Partners BA&A PTY LTD

PITCHER PARTNERS BA&A PTY LTD

A handwritten signature in black ink, appearing to read 'Paul Mulligan'.

PAUL MULLIGAN  
Executive Director  
Perth, 27 August 2020

### Pitcher Partners BA&A Pty Ltd

An independent Western Australian Company ABN 76 601 361 095.  
Level 11, 12-14 The Esplanade, Perth WA 6000  
Registered Audit Company Number 467435.  
Liability limited by a scheme under Professional Standards Legislation.

Adelaide Brisbane Melbourne Newcastle Perth Sydney

**Pitcher Partners is an association of independent firms.**

Pitcher Partners is a member of the global network of Baker Tilly International Limited, the members of which are separate and independent legal entities.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2020

		30 June 2020	30 June 2019
	Notes	\$	\$
<b>Revenue</b>			
Revenue from contracts with customers	4	11,912,589	163,459
Other income	5	7,383,749	-
<b>Expenses</b>			
Administration and corporate expense	6	(1,267,399)	(473,285)
Employee benefits expense	6	(6,724,729)	(174,000)
Depreciation and amortisation expense	6	(2,987,580)	-
Finance costs	6	(595,036)	-
Consumables and other direct expenses	6	(5,248,851)	-
<b>Profit / (loss) before income tax</b>		<b>2,472,743</b>	<b>(483,826)</b>
Income tax benefit / (expense)	7	2,362,552	-
<b>Profit / (loss) after income tax expense</b>		<b>4,835,295</b>	<b>(483,826)</b>
Profit / (loss) after income tax expense for the year attributable to the owners of Vysarn Limited		4,835,295	(483,826)
<b>Other comprehensive income:</b>			
Items that may be reclassified subsequently to profit or loss			
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income / (loss) for the year attributable to the owners of Vysarn Limited</b>		<b>4,835,295</b>	<b>(483,826)</b>
Basic earnings per share for profit/(loss) attributable to the owners of Vysarn Limited	9	0.0178	(0.355)
Diluted earnings per share for profit/(loss) attributable to the owners of Vysarn Limited	9	0.0160	(0.355)



# Consolidated Statement of Financial Position

As At 30 June 2020

		30 June 2020	30 June 2019
	Notes	\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	10	9,706,113	6,983,931
Trade receivables	11	2,766,495	36,206
Inventories	12	2,641,305	-
Assets classified as held for sale	13	152,727	-
Prepayments and other assets	14	161,871	14,501
<b>TOTAL CURRENT ASSETS</b>		<b>15,428,512</b>	<b>7,034,638</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment	15	24,707,782	-
Right of use asset	16	725,330	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>25,433,112</b>	<b>-</b>
<b>TOTAL ASSETS</b>		<b>40,861,623</b>	<b>7,034,638</b>
<b>CURRENT LIABILITIES</b>			
Borrowings	17	3,070,264	-
Trade and other payables	18	4,852,027	110,492
Employee liabilities	19	215,488	-
Lease liability		186,473	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>8,324,252</b>	<b>110,492</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	17	6,707,770	-
Lease liability		581,895	-
Deferred tax liability	7	912,798	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>8,202,463</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>16,526,715</b>	<b>110,492</b>
<b>NET ASSETS</b>		<b>24,334,908</b>	<b>6,924,146</b>
<b>SHAREHOLDERS' EQUITY</b>			
Issued capital	20	19,135,614	29,912,298
Reserves	21	364,000	-
Retained earnings / (accumulated losses)		4,835,294	(22,988,152)
<b>SHAREHOLDERS' EQUITY</b>		<b>24,334,908</b>	<b>6,924,146</b>

# Consolidated Statement of Changes In Equity

For the Year Ended 30 June 2020

	Issued Capital	Share Based Payment Reserve	Accumulated losses	Total
	\$	\$	\$	\$
<b>Balance at 1 July 2018</b>	<b>29,912,298</b>	<b>-</b>	<b>(22,504,326)</b>	<b>7,407,972</b>
Loss for the period	-	-	(483,826)	(483,826)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(483,826)	(483,826)
<b>Balance at 30 June 2019</b>	<b>29,912,298</b>	<b>-</b>	<b>(22,988,152)</b>	<b>6,924,146</b>
<b>Balance at 1 July 2019</b>	<b>29,912,298</b>	<b>-</b>	<b>(22,988,152)</b>	<b>6,924,146</b>
Profit for the period	-	-	4,835,295	4,835,295
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	4,835,295	4,835,295
<b>Transactions with owners in their capacity as owners:</b>				
Issue of shares (Note 20)	12,735,593	-	-	12,735,593
Capital raising costs (Note 20)	(524,126)	-	-	(524,126)
Share based payments (Note 22)	-	364,000	-	364,000
Reduction in capital not represented by available assets (Note 20)	(22,988,151)	-	22,988,151	-
Total transactions with owners	(10,776,684)	364,000	22,988,151	12,575,467
<b>Balance at 30 June 2020</b>	<b>19,135,614</b>	<b>364,000</b>	<b>4,835,294</b>	<b>24,334,908</b>

# Consolidated Statement of Cash Flows

For the Year Ended 30 June 2020

		30 June 2020	30 June 2019
	Notes	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		10,120,793	-
Payments to suppliers and employees		(7,844,838)	(601,728)
Interest received		27,255	179,108
Interest and other costs of finance paid		(313,909)	-
<b>Net cash provided by/ (used in) operating activities</b>	10a	<b>1,989,299</b>	<b>(422,620)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for completion of Ausdrill Transaction		(16,000,000)	-
Purchase of plant and equipment		(4,149,691)	-
Proceeds from disposal of property, plant and equipment		661,710	-
<b>Net cash used in investing activities</b>		<b>(19,487,981)</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Gross proceeds from the issue of shares		11,018,593	-
Proceeds from borrowings		10,961,993	-
Repayment of borrowings		(1,159,037)	-
Payments for principal portion of lease liabilities		(76,559)	-
Payment of transaction costs		(524,126)	(5,000)
<b>Net cash provided by/ (used in) financing activities</b>		<b>20,220,864</b>	<b>(5,000)</b>
Net increase/(decrease) in cash and cash equivalents		2,722,182	(427,620)
Cash and cash equivalents at beginning of financial year		6,983,931	7,411,551
<b>Cash and cash equivalents at the end of financial year</b>	10	<b>9,706,113</b>	<b>6,983,931</b>





**“The Company’s balance sheet shows Net Tangible Assets of \$24.33 million and Net Current Assets of \$7.10 million. Cash and cash equivalents at 30 June 2020 was \$9.71 million”**



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

## Note 1: General Information

Vysarn Limited is a listed public Company limited by shares, incorporated and domiciled in Australia. The Company is a for-profit entity. Its registered office and principal place of business is 108 Outram Street, West Perth, WA 6005.

The financial statements are presented in

Australian dollars, which is Vysarn Limited's functional and presentation currency.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 27 August 2020. The Directors have the power to amend and reissue the financial statements.

## Note 2: Summary of Significant Accounting Policies

### A: Statement of Compliance

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards ("AASBs") (including Australian interpretations) adopted by the Australian Accounting Standard Board ("AASB") and the Corporations Act 2001. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB").

### B: Basis of Preparation

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. Amounts are presented in Australian dollars and have been rounded off to the nearest dollar, unless stated otherwise.

### Comparatives

The financial statements presented in this report are for the Group consisting of Vysarn Limited and its wholly owned subsidiary Pentium Hydro Pty Ltd. The 30 June 2019 comparative figures are for Vysarn Limited only, accordingly, comparatives may not be entirely comparable. Supplementary information about the parent entity for financial year ending 30 June 2020 is disclosed below.

### Critical accounting estimates

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The judgements estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in Note 2(gg) below.

### C: Going Concern

The financial statements have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business.

The Directors have reviewed a budget/forecast and having considered the above, are of the opinion that the use of the going concern basis is appropriate and that the Company will be able to pay its debts as and when they fall due for the next 12 months.

## D: Adoption of New Accounting Standards

The Company has adopted all of the new, revised or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new, revised or amended Accounting Standards and Interpretations that are not mandatory have not been adopted early.

Other than the changes described below, the accounting policies adopted are consistent with those of the previous financial year.

### IFRIC 23 Uncertainty over Income Tax Treatments

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 112 Income Taxes ("AASB 112") and does not apply to taxes or levies outside the scope of AASB 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- How an entity considers changes in facts and circumstances.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. There was no impact on the half year financial report from the Group adopting IFRIC 23.

Following completion of the Transaction, a number of accounting standards became applicable to the Company for the first time at 30 June 2020. The impact of the adoption of these standards and the new accounting policies are disclosed below. Apart from the adoption of the accounting policies disclosed below, accounting policies applied in the year ended report are consistent with those applied in the 30 June 2019 Annual Report.

## E: Principles of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiary as at 30 June 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee,
- Rights arising from other contractual arrangements,
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

## F: Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks with original maturity of three months or less.



## G: Trade receivables

Trade receivables are amounts due from customers for goods or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional which is considered to be fair value; none of the Group's trade receivables contain a financing component. The Group holds the trade receivables with the objective to collect the contractual cashflows and therefore measures them subsequently at amortised cost using the effective interest method.

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables have been grouped based on share credit risk characteristics and the days past due. The expected loss rates are based on existing market conditions and forward-looking estimates at the end of each reporting period.

## H: Inventories

Inventories, including raw materials and stores, work in progress and contract fulfilment costs are measured at the lower of cost and net realisable value. The cost of inventories comprises; expenditure incurred in acquiring the inventories and the costs incurred in bringing them to their existing location and condition. direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

## I: Plant & Equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income / (expense) in the statement of profit or loss. The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets.

### Depreciation

Depreciation is a systematic allocation of the depreciable amount of an asset over its useful life. The depreciable amount is the cost of the asset, less its residual value. An asset is depreciated from the date it is ready for use, meaning the date it reaches the location and condition required for it to operate in the manner intended by management. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of the fixed asset item, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the assets.



The estimated useful lives are as follows:

- Plant and equipment – 2 - 10 years;
- Computer equipment – 3 years; and
- Trucks, trailers and light vehicles – 4 - 7 years.

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

## J: Right-of-use Assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

## K: Lease Liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying

amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

## L: Trade and Other Payables

Liabilities for trade creditors and other amounts carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group. Interest, when charged by the lender, is recognised as an expense on an accruals basis.

## M: Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

## N: Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not incremental costs relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

## O: Equity and reserves

Share capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits. The share-based payment reserve records the value of share-based payments.

## P: Revenue Recognition

Revenue from contracts with customers

The Group provides drilling services and hires drill rigs and related equipment to the exploration and mining industry pursuant to service contracts with a variety of clients in the sector.

The revenue associated with drilling contracts is recognised in accordance with AASB 15 Revenue From Contracts from Customers, that is in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group is expected to be entitled in exchange for those goods or services. Revenue from customer contracts is recognised upon satisfaction of a performance obligation under those contracts either over time in accordance with specified units of production (for example meters drilled or hours worked) or a point in time when risks and rewards pass to the customer under those contracts (for example the sale of certain items including consumables).

For rental of equipment, as the customer simultaneously receives and consumes the benefits, the Group has an enforceable right to payment and as such the performance obligation is satisfied over time.

The Group has no material contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

### Contract Assets and Liabilities

AASB 15 uses the terms “contract asset” and “contract liability” to describe what is commonly known as “accrued revenue” and “deferred revenue.” Accrued revenue arises where work has been performed however is yet to be invoiced. Deferred revenue arises where payment is received prior to work being performed and is allocated to the performance obligations within the contract and recognised on satisfaction of the performance obligation.

## Contract Fulfilment Costs

Costs generally incurred prior to the commencement of a contract may arise due to mobilisation/site setup costs as these costs are incurred to fulfil a contract. Where the costs are expected to be recovered, they are capitalised and expensed over the period of revenue recognition. Where the costs, or a portion of these costs, are reimbursed by the customer, the amount received is recognised as deferred revenue.

Contract fulfilment costs are capitalised as an asset when all the following are met: (i) the costs relate directly to the contract or specifically identifiable proposed contract; (ii) the costs generate or enhance resources of the consolidated entity that will be used to satisfy future performance obligations; and (iii) the costs are expected to be recovered. Contract fulfilment costs are amortised on a straight-line basis over the term of the contract.

## Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

## Government Grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

When the grant relates to an asset, it is recognised as reducing the carrying amount of the asset.

## Other Revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

## Q: Borrowing Costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.



**R: Employee Benefits**

Wages, salaries and annual leave

Liabilities for wages and salaries and annual leave are recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

**Superannuation**

Contributions to employee superannuation plans are charged as an expense as the contributions are paid or become payable.

**Short-term Employee Benefits**

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

**Other Long-term Employee Benefits**

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

**Equity-settled Compensation**

Share-based payments to Directors are measured at the fair value of the instruments issued and amortised over the vesting periods. The fair value of performance rights is determined using the satisfaction of certain performance criteria (performance milestones). The number of share options and performance rights expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest. The fair value is determined using a Black Scholes or Hoadley pricing model.

**S: Fair Value Measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement

date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

**T: Earnings Per Share**

Basic earnings per share is calculated by dividing:

- the profit attributable to member of the parent entity, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year (if any).

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

## U: Leases

AASB 16 Leases ('AASB 16') became mandatorily effective on 1 January 2019. Accordingly, this standard applies for the first time to this set of year-end financial statements. AASB 16 replaces AASB 117 Leases and introduces a single lessee accounting model that requires a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at cost and lease liabilities are initially measured on a present value basis.

Subsequent to initial recognition:

- (e) Right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for on a cost basis unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:
  - (i) Investment property, the lessee applies the fair value model in AASB 140 Investment Property to the right-of-use asset; or
  - (ii) Property, plant or equipment, the applies the revaluation model in AASB 116 Property, Plant and Equipment to all of the right-of-use assets that relate to that class of property, plant and equipment; and
- (f) Lease liabilities are accounted for on a similar basis to other financial liabilities, whereby interest expense is recognised in respect of the lease liability and the carrying amount of the lease liability is reduced to reflect the principal portion of lease payments made.

AASB 16 substantially carries forward the lessor accounting requirements of the predecessor standard, AASB 117. Accordingly, under AASB 16 a lessor continues to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and accounts for each type of lease in a manner consistent with the current approach under AASB 117.

### Impact of Adoption

Subject to exceptions, a 'right of use' asset is capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term.

A liability corresponding to the capitalised lease is recognised, adjusted for lease prepayments, lease Incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating

lease expense recognition is replaced with a depreciation charge for the leased asset (including in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 17.

However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results are improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The Company adopted the new standard using the modified retrospective approach. The Company hasn't restated comparatives for the reporting period as permitted under the specific transactional provisions of the standard, noting there were no relevant lease agreements under contract.

The impact of AASB 16 on the statement of financial position is as noted below:

	Value (\$)
<b>1 July 2019</b>	
Right of Use Asset	Nil
Lease Liability	Nil
<b>6 January 2020 (upon execution of lease agreement)</b>	
Right of Use Asset	828,948
Lease Liability	(828,948)

The weighted average incremental borrowing rate applied in the calculation of the initial carrying amount of lease liabilities was 4.00% p.a.

## V: Non-Current Assets Held For Sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

## W: Share Based Payments

Share-based payments are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. Share-based payment transactions are recognised in equity if the goods or services were received in an equity-settled share-based payment transaction, or as a liability if the goods and services were acquired in a cash settled share-based payment transaction. The fair value of options is determined using a Black-Scholes or Hoadley pricing model. The number of share options and performance rights expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

The Group initially measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them, as well as an assessment of the probability of achieving non-market based vesting conditions.

The probability of achieving non-market based vesting conditions of performance rights is assessed at each reporting period.

The Company has applied judgement in assessing the likelihood of achieving the performance milestones in relation to the performance rights issued in the period.

## X: Foreign Currency Translation

### Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

## Y: Income Tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

### Tax Consolidation

During the year, the Group and its wholly owned Australian resident entity formed a tax-consolidated group effective 28 August 2019. As a consequence, all members of the tax-consolidated group are taxed as a single entity from that date. The head entity within the tax-consolidated group is Vysarn Limited.



Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the “separate taxpayer within group” approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised by the Group as amounts payable (receivable) to/ (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Group as an equity contribution or distribution.

The Group recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

## **Z: Financial Instruments**

### **Initial Recognition and Measurement**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Company commits itself to either the purchase or sale of the assets (i.e. trade date accounting is adopted).

### **Classification and Subsequent Measurement**

#### **Financial Liabilities**

Financial instruments are subsequently measured at amortised cost using the effective interest methods.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period. The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

#### **Financial Assets**

Financial assets are subsequently measured at fair value through profit or loss.

The initial designation of the financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

#### **Derecognition**

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

#### **Derecognition of financial liabilities**

A liability is derecognised when it is extinguished (ie, when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

#### **Derecognition of financial assets**

A financial asset is derecognised when the holder's contractual rights to its cash flows expire, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All the following criteria need to be satisfied for derecognition of financial assets:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Company no longer controls the asset (ie, the Company has no practical ability to make a unilateral decision to sell the asset to a third party).

### **AA: Impairment of Non-financial Assets**

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

## **AB: Goods and Services Tax ('GST') and Other Similar Taxes**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

## **AC: Estimation of Useful Lives of Assets**

The Group determines the estimated useful lives and related depreciation for its property, plant and equipment. The useful lives could change significantly as a result of technical innovations or other events. The depreciation charge will increase where the useful lives are less than previously estimated, or technically obsolete or non-strategic assets have been abandoned or sold will be written off or written down.

## **AD: Operating Segments**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

## **AE: Business Combinations**

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the

acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

## AF: New Accounting Standards Not Yet Adopted

Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Company for the annual reporting period ended 30 June 2020. The Company's assessment of the impact of these new or amended Accounting Standards and interpretations, most relevant to the Company, are set out below.

### AASB 2019-1 Amendments to Australian Accounting Standards – References to the “Conceptual Framework”

AASB 2019-1 amends Australian Accounting Standards to reflect the issue of the Conceptual Framework. The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the Company has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the Company may need to review such policies under the revised framework.

### AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia

AASB 2019-5 makes amendments to AASB 1054 Australian Additional Disclosures by adding a disclosure requirement for an entity intending to comply with IFRS Standards to disclose the information required by paragraph 30 of AASB 108 (regarding disclosing the effect of new standards not yet issued) to IFRS Standards that have not yet been issued by the Australian Accounting Standards Board. AASB 2019-5 mandatorily applies to annual reporting periods commencing on or after 1 January 2020 and will be first applied by the Group in the financial year commencing 1 July 2020.

### AASB 2020-1: Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current

AASB 2020-1 amends AASB 101 Presentation of Financial Statements to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. AASB 2020-1 mandatorily applies to annual reporting periods commencing on or after 1 January 2022 and will be first applied by the Group in the financial year commencing 1 July 2022.

## AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018 – 2020 and Other Amendments

AASB 2020-3 amends AASB 1 First-time Adoption of Australian Accounting Standards, AASB 3 Business Combinations, AASB 9 Financial Instruments, AASB 116 Property, Plant and Equipment, AASB 137 Provisions, Contingent Liabilities and Contingent Assets and AASB 141 Agriculture as a consequence of the recent issuance by IASB of the following IFRS: Annual Improvements to IFRS Standards 2018-2020, Reference to the Conceptual Framework, Property, Plant and Equipment: Proceeds before Intended Use and Onerous Contracts – Cost of Fulfilling a Contract. AASB 2020-3 mandatorily applies to annual reporting periods commencing on or after 1 January 2022 and will be first applied by the Group in the financial year commencing 1 July 2022.

The likely impact of the above accounting standards not yet adopted on the financial statements of the Company is yet to be determined.

## AG: Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective Notes) within the next financial year are discussed below.

### Coronavirus (COVID-19) Pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific Notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with



respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

#### Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed below, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

#### Income Tax

The Company is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on the Company's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

#### Business Combinations

Business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Company taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the Company accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

For accounting purposes, the acquisition of waterwell drilling assets from Ausdrill and Pentium Hydro's equity ("Acquisitions") are considered to be one transaction given the intents of all parties and the terms and conditions precedent of the respective acquisition agreements.

The Company has determined that the Acquisitions constitute a business combination in accordance with the definitions and guidance provided by AASB 3 Business Combinations and

has accounted for the Acquisitions in accordance with that standard at 30 June 2020. In accordance with AASB 3 the assets and liabilities acquired have been recorded by the Group at their acquisition date fair values, resulting in a gain on bargain purchase.

For further details refer to Note 25 of the consolidated financial statements.

#### Share-Based Payments

The Company measures the cost of equity-settled transactions with suppliers and employees by reference to the fair value of the goods or services received provided this can be estimated reliably. If a reliable estimate cannot be made the value of the goods or services is determined indirectly by reference to the fair value of the equity instrument granted. The fair value of the equity instruments granted is determined using the Black-Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

#### Revenue From Contracts With Customers

The Company has applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers.

Revenue from customer contracts is recognised upon satisfaction of a performance obligation under those contracts either over time. For drilling services provided under contract, revenue is recognised in accordance with a specified unit of production based on rates agreed to with the customer (for example meters drilled or hours worked).

Dry Hire revenue is also recognised over a period of time based on set day rates for supply, as the customer simultaneously receives and consumes the benefits provided by the Company.

The sale of goods (consumables) is recognised at a point in time when control of the goods passes to the customer under those contracts (for example the sale of certain items including consumables).

Mobilisation/demobilisation revenue are distinct, separately identifiable contractual performance obligations and are recognised as revenue upon completion of the mobilisation/demobilisation event, once this performance obligation has been satisfied.

### Note 3: Operating Segments

The Company has one reportable segment, Pentium Hydro which is the Group's operational business unit.

The Group has identified its operating segments based on the internal reports that are reviewed and

used by the Board of Directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources. The major results of the Group's sole operating segment are consistent with the presentation of these consolidated financial statements.

### Note 4: Revenue From Contracts With Customers

	30-June-20	30-June-19
	\$	\$

#### Revenue recognised over a period of time from contracts with Australian customers:

- Drilling services	6,933,556	-
- Dry-hire revenue	1,855,250	-
Sub-total	8,788,806	-

#### Revenue recognised at a point in time from contracts with Australian customers

- Sale of goods (consumables)	2,802,737	-
- Mobilisation / demobilisation	321,046	-
Sub-total	3,123,783	-
<b>Total revenue</b>	<b>11,912,589</b>	<b>-</b>

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### Note 5: Other Income

	30-June-20	30-June-19
	\$	\$
Finance income	24,356	-
Other revenue	4,626	-
Cash boost stimulus (COVID-19)	50,000	-
Gain on bargain purchase (Note 25)	7,197,076	-
Realised currency gains / (losses)	(1,346)	-
Net gain on disposal of assets (Note 13)	109,037	-
<b>Total</b>	<b>7,383,749</b>	<b>-</b>

**Note 6: Expenses**

	30-June-20	30-June-19
	\$	\$

**Breakdown of expenses by nature:****Administration and Corporate expense**

- Office expenses	289,987	30,455
- Corporate costs and compliance	791,934	407,977
- Other expenses	185,478	34,853
<b>Total</b>	<b>1,267,399</b>	<b>473,285</b>

**Employee benefits expense**

- Wages and salaries (inclusive of superannuation)	4,868,894	174,000
- Employment related taxes	140,669	-
- Share-based payment expense (Note 22)	1,660,000	-
- Other employment related expenses	55,166	-
<b>Total</b>	<b>6,724,729</b>	<b>174,000</b>

**Depreciation and Amortisation Expense**

- Plant and equipment depreciation	2,883,962	-
- Land and buildings lease amortisation	103,618	-
<b>Total</b>	<b>2,987,580</b>	<b>-</b>

**Finance Costs**

- Interest expense	329,888	-
- Borrowing expense	16,768	-
- Bank fees	5,557	-
- Transactions costs	242,823	-
<b>Total</b>	<b>595,036</b>	<b>-</b>

**Consumables and other direct expenses**

- Consumables	3,466,551	-
- Other direct expenses	1,782,300	-
<b>Total</b>	<b>5,248,851</b>	<b>-</b>

**Note 7: Income Tax Expense**

	30-June-20	30-June-19
	\$	\$

**A: Components of Income Tax Expense**

Current tax	-	-
Deferred tax	(2,362,552)	-
Under / (over) provision in prior years	-	-
<b>Income tax expense / (benefit)</b>	<b>(2,362,552)</b>	<b>-</b>



Note 7: Income Tax continued...

	30-June-20	30-June-19
	\$	\$

**B: Prima Facie Tax Payable**

The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:

Prima facie income tax payable on profit before income tax at 27.5%	680,004	(145,148)
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**Add/(less) tax effect of:**

Entertainment	2,358	-
Inventory	266,482	-
Plant and equipment	(3,331,471)	-
Share based payments	33,825	-
Non-assessable cash boost payment	(13,750)	-
<b>Income tax expense / (benefit) attributable to profit</b>	<b>(2,362,552)</b>	<b>(145,148)</b>

**C: Current Tax Liability**

Current tax relates to the following:

Current tax liabilities / (assets)	-	-
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**D: Deferred Tax**

Deferred tax relates to the following:

**Deferred tax assets balance comprises:**

Plant and equipment under lease	655,638	-
Accruals	94,742	-
Provisions - annual and long service leave	12,501	-
Borrowing costs	3,661	-
Capital raising costs	115,308	-
Business related costs	8,385	-
Tax losses	753,656	-
<b>Income tax expense attributable to profit</b>	<b>1,643,891</b>	<b>-</b>

**Deferred tax liabilities balance comprises:**

Prepayments	(3,266)	-
Accrued income	(175,523)	-
Plant and equipment	(1,545,739)	-
Plant and equipment under lease	(639,180)	-
Spare parts	(192,981)	-
	(2,556,689)	-
<b>Net deferred tax</b>	<b>912,798</b>	<b>-</b>

## Note 7: Income Tax continued...

	30-June-20	30-June-19
	\$	\$

**E: Deferred income tax (revenue)/expense included in income tax**

expense comprises:

Decrease / (increase) in deferred tax assets	(1,991,832)	-
(Decrease) / increase in deferred tax liabilities	(370,720)	-
<b>Total</b>	<b>(2,362,552)</b>	<b>-</b>

**F: Deferred income tax related to items charged or credited directly to equity**

Decrease / (increase) in deferred tax assets	144,135	-
(Decrease) / increase in deferred tax liabilities	-	-
<b>Total</b>	<b>144,135</b>	<b>-</b>

At 30 June 2020, the Company has carried forward revenue tax losses of \$2,740,568 (2019: \$512,951). These losses remain available to offset against future taxable income amounts subject to passing the ownership and business continuity tests as required by the Australian Taxation Office.

**Note 8: Remuneration of Auditors**

During the financial year the following fees were paid or payable for services provided by the auditor of the Company:

	30-June-20	30-June-19
	\$	\$

Remuneration of the auditor of the Company (Pitcher Partners BA&A Pty Ltd and its related entities) for:

- Auditing or reviewing the financial reports	39,659	28,990
- Non-audit services	19,669	4,555
<b>Total</b>	<b>59,328</b>	<b>33,545</b>

**Note 9: Earnings Per Share**

	30-June-20	30-June-19
	\$	\$

**Earnings per share for (loss)/profit**

Profit / (Loss) after income tax attributes to the owners of Vysarn Limited	4,835,295	(483,826)
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	Number	Number
<b>Weighted average number of ordinary shares used in calculating basic earnings per share</b>	<b>272,320,484</b>	<b>136,228,616</b>
<b>Weighted average number of ordinary shares used in calculating diluted earnings per share</b>	<b>302,320,484</b>	<b>136,228,616</b>

	Cents	Cents
Basic earnings / (loss) per share	0.0178	(0.355)
Diluted earnings / (loss) per share	0.0160	(0.3550)

## Accounting Policy for Earnings Per Share

### Basic Earnings Per Share

Basic earnings or loss per share is calculated by dividing the profit or loss attributable to the owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

### Diluted Earnings Per Share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

## Note 10: Current Assets – Cash and Cash Equivalents

	30-June-20	30-June-19
	\$	\$
Cash at bank	8,372,780	6,983,931
Cash and cash equivalents - term deposit	1,333,333	-
<b>Total</b>	<b>9,706,113</b>	<b>6,983,931</b>

### Accounting Policy for Cash and Cash Equivalents

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents includes cash on hand and deposits held at call with financial institutions with a short maturity period of 90 days or less.

### Non-cash Investing and Financing Activities

On 28 August 2019, the Group issued 7,800,000 shares to the vendors of Pentium Hydro as consideration for 100% of the issued capital of Pentium Hydro. The shares were valued based on the public offer price of \$0.054 per share, totalling \$421,200. Refer to Note 25 of the financial report for further information.

## Note 10a: Cash Flow Information

	30-June-20	30-June-19
	\$	\$
Profit / (loss) after income tax expense for the year	4,835,295	(483,826)

### Non-cash flows in result from continuing activities:

Share based payments (benefit) / expense	1,660,000	-
Depreciation and amortisation	2,987,580	-
Tax expense / (benefit)	(2,362,552)	-
Gain on bargain purchase	(7,197,076)	-

### Changes in assets and liabilities:

(Increase) / decrease in inventories	(2,641,305)	-
(Increase) / decrease in trade and other receivables	(2,730,289)	(22,800)
Increase / (decrease) in employee entitlements	215,488	-
Increase / (decrease) in trade and other payables	4,741,535	79,006
Increase / (decrease) in other assets and liabilities	2,480,623	5,000
<b>Net cash (used in)/provided by operating activities</b>	<b>1,989,299</b>	<b>(422,620)</b>



## Note 11: Current Assets – Trade and Other Receivables

	30-June-20	30-June-19
	\$	\$
Trade receivables	2,766,495	-
GST receivable	-	33,307
Other receivable	-	2,899
<b>Total</b>	<b>2,766,495</b>	<b>36,206</b>

For further Information regarding trade and other receivables see Note 23, recoverability is based on the underlying terms of the contract.

Current trade and other receivables are non-interest bearing and generally on 30-day end of month terms.

### Impairment and Risk Exposure

Trade and other receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is objective evidence that an individual trade or other receivable is impaired. No impairment provision was recorded at 30 June 2020 based on management's assessment.

Information about the impairment of trade receivables and the group's exposure to credit risk, foreign currency risk and interest rate risk can be found in the Note 23 below.

## Note 12: Inventories

	30-June-20	30-June-19
	\$	\$
Consumables and spare parts	2,334,712	-
Contract fulfilment costs	306,593	-
<b>Total</b>	<b>2,641,305</b>	<b>-</b>

Inventory is stated at the lower of cost or net realisable value.

## Note 13: Assets Classified as Held for Sale

	30-June-20	30-June-19
	\$	\$
<b>Non-current assets held for sale</b>		
Plant and equipment	152,727	-
<b>Total</b>	<b>152,727</b>	<b>-</b>

The Company has identified several items of plant and equipment for disposal considered surplus to its operational needs. These items have been listed for sale with an equipment broker, with sales expected to complete in 2020.

Several items of plant and equipment were sold during the year resulting in a gain on disposal of assets of \$109,037.

## Note 14: Prepayments and Other Assets

	30-June-20	30-June-19
	\$	\$
Deposits	53,438	-
Prepayments	108,433	14,501
<b>Total</b>	<b>161,871</b>	<b>14,501</b>

## Note 15: Plant and Equipment

	30-June-20	30-June-19
	\$	\$
Cost	27,591,744	-
Accumulated depreciation	(2,883,962)	-
<b>Net carrying amount</b>	<b>24,707,782</b>	<b>-</b>

Consolidated Group	Plant and equipment	Trucks, trailers and light vehicles	Computer Equipment	Assets Not Held Ready for Use	Total
	\$	\$	\$	\$	\$
Carrying amount at 30 June 2019	-	-	-	-	-
Additions	17,052,820	8,356,230	76,769	2,105,925	27,591,744
Disposals	-	-	-	-	-
Depreciation expense	(1,869,804)	(1,003,605)	(10,553)	-	(2,883,962)
<b>Balance at 30 June 2020</b>	<b>15,183,016</b>	<b>7,352,625</b>	<b>66,216</b>	<b>2,105,925</b>	<b>24,707,782</b>

Prior to initial rig suite deployment, the Group capitalised a total \$1,611,251 during the period across all rig suites.



**Note 15: Plant and Equipment (continued)**

As announced on 27 May 2020, the Company entered into an Asset Sale Agreement ("ASA") for the acquisition of two previously owned dual rotary drill rigs. Under the agreement, the Company purchased a Foremost DR12 and a Foremost DR24 for circa \$2,100,000 from the business trading as Southern Rig Hires in New Zealand. Completion of the ASA occurred on 30 June 2020 ("Completion Date"). These assets

were classified as Assets Not Held Ready For Use as at 30 June 2020, noting they were in transit to Western Australia from New Zealand.

The Company made an upfront payment of \$500,000 on Completion Date, with the balance of \$1,600,000 (plus interest) to be paid over a 24-month period via a vendor loan agreement. The vendor loan agreement is secured against the two drill rigs.

**Note 16: Right-Of-Use Assets**

	30-June-20	30-June-19
	\$	\$
<b>NON-CURRENT</b>		
Land and buildings - right-of-use	828,948	-
Less: accumulated amortisation	(103,618)	-
<b>Total</b>	<b>725,330</b>	<b>-</b>

**Note 17: Borrowings**

	30-June-20	30-June-19
	\$	\$
<b>CURRENT</b>		
Insurance premium funding (a)	27,120	-
Asset finance facilities (b)	708,066	-
Current maturities of long-term bank loan (c)	2,335,078	-
Sub-total	3,070,264	-
<b>NON-CURRENT</b>		
Asset finance facilities (b)	1,030,013	-
Long-term bank loan, net of current maturities (c)	5,677,757	-
Sub-total	6,707,770	-
<b>Total</b>	<b>9,778,034</b>	<b>-</b>

**A: Insurance premium**

The insurance premium funding bears interest at prevailing market rates and repayable over 11 months.

**B: Asset finance facilities including vendor loan agreement**

The asset finance facilities bear fixed interest at prevailing market rates (ranging from 3.3% to 4%) and are primarily repayable over 1 to 4 years. The asset finance facilities and the vendor loan agreement are secured via a registered GSA over vehicles and drill rigs which were purchased under the relevant agreements.

**C: Long-term bank loan**

The Group has a long-term bank loan with a major bank which bears interest at 4.41% per annum and repayable over 4 years. The loan is secured by items of plant and equipment obtained as part of the acquisition from Ausdrill (refer Note 25); the Group has also provided a general security agreement to the bank in respect of the Group's existing and future assets. The loan is repayable in monthly instalments until its expiry in July 2023.



**Note 18: Trade and Other Payables**

	30-June-20	30-June-19
	\$	\$
Trade payables	3,610,317	68,824
GST liability	119,376	-
PAYG withholdings payable	544,499	-
Accruals	500,044	-
Other payables	77,791	41,668
<b>Total</b>	<b>4,852,027</b>	<b>110,492</b>

**Note 19: Employee Liabilities**

	30-June-20	30-June-19
	\$	\$
<b>CURRENT</b>		
Provision for annual leave	45,457	-
Superannuation liability	170,031	-
Sub-total	215,488	-
<b>NON-CURRENT</b>		
Liability for long service leave	-	-
Sub-total	-	-
<b>Total</b>	<b>215,488</b>	<b>-</b>

The Group's exposure to liquidity risk related to trade and other payables is disclosed in Note 23 below.

**Note 20: Share Capital**

	30-June-20	30-June-19
	\$	\$
<b>A: Share Capital</b>		
386,955,864 (30 June 2019: 136,228,616) fully paid ordinary shares	19,135,614	29,912,298

**Ordinary shares**

During the 12-month period ended 30 June 2020, the Group issued 250,727,248 ordinary shares (30 June 2019: \$Nil). All issued shares are fully paid.

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital. On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

**B: Movement in Ordinary Capital**

Ordinary Shares	30-June-20	30-June-20	30-June-19	30-June-19
	No.	\$	No.	\$
At the beginning of the reporting period	136,228,616	29,912,298	136,228,616	29,912,298
<b>28 August 2019</b>				
Shares issued under the public offer	129,629,630	7,000,000	-	-
<b>28 August 2019</b>				
Shares issued under the Director past services offer to Directors as remuneration for past services (Note 22)	24,000,000	1,296,000	-	-
<b>28 August 2019</b>				
Shares issued under the Pentium Hydro offer to Pentium Hydro vendors as consideration for the Company's acquisition of the entire issued capital of Pentium Hydro (Note 22)	7,800,000	421,200	-	-
<b>30 June 2020</b>				
Issued of shares under rights issue <sup>2</sup>	89,297,618	4,018,393	-	-
Transaction costs	-	(524,126)	-	-
Reduction in capital not represented by available assets <sup>1</sup>	-	(22,988,151)	-	-
<b>Total</b>	<b>386,955,864</b>	<b>19,135,614</b>	<b>136,228,616</b>	<b>29,912,298</b>

1. As at 30 June 2019, the Company had accumulated losses of \$22,988,151 from its previous operating activities. During the year, the Company acquired waterwell drilling assets and associated inventory from Ausdrill. This Transaction represented a significant change in the nature and scale of the activities of the Company from previous periods.

On 27 August 2020, the Board of Directors resolved to reduce the Company's share capital by \$22,988,151, in accordance with section 258F of the Corporations Act 2001, reducing accumulated losses deemed to be of a permanent nature by the same amount.

There is no impact on shareholders from the capital reduction as no shares have been cancelled or rights varied, and there is no change in the net asset position of the Company. There is also no impact on the availability of the Company's tax losses from this capital reduction.

2. On 18 May 2020, the Company announced it was undertaking a 3 for 10 non-renounceable rights issue of up to 89.3 million fully paid ordinary shares at an issue price of \$0.045 per share to raise up to approximately \$4 million. The offer was open to all shareholders with a registered address within Australia or New Zealand who held shares on the record date of Wednesday, 3 June 2020. The offer closed on 23 June 2020, with the Company receiving applications exceeding the amount offered of \$4.02 million. On 30 June 2020, the Company subsequently issued 89,297,618 shares at an issue price of \$0.045 per share raising \$4.02 million (before costs) under a non-renounceable rights issue.

**Capital Risk Management**

The Company's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital. Capital is regarded as total equity as recognised in the statement of financial position.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

**Accounting Policy for Issued Capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## Note 21: Reserves

	30-June-20	30-June-19
	\$	\$

### A: Share Based Payment Reserve

20,000,000 options (30 June 2019: \$Nil) and 10,000,000 performance rights (30 June 2019: \$Nil) on issue	364,000	-
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### B: Movement in Share Based Payment Reserve

#### Share Based Payment Reserve

At the beginning of the period	-	-
<b>28 August 2019</b>		
10,000,000 options issued under the Chairman options offer	241,000	-
<b>28 August 2019</b>		
10,000,000 performance rights issued as performance incentives to executive Directors	-	-
<b>28 October 2019</b>		
5,000,000 unvested performance rights lapsed and cancelled	-	-
<b>3 February 2020</b>		
10,000,000 options issued under the Managing Director options offer	123,000	-
<b>3 February 2020</b>		
5,000,000 performance rights issued to the Managing Director	-	-
<b>Total</b>	<b>364,000</b>	<b>-</b>

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## Note 22: Share Based Payments

During the year ended 30 June 2020 the Company recorded the following share-based payments:

### Share Issue

#### Remuneration of Directors for Past Services

The issue of 24,000,000 shares to Directors as remuneration for past services under the Director past services offer to Directors. The shares were valued based on the public offer price of \$0.054.

Mr Peter Hutchinson (or nominee) received 15,500,000 shares equivalent to a fee of \$837,000 under the Director past services offer. Mr Nicholas Young (or nominee) received 4,250,000 shares equivalent to a fee of \$229,500 under the Director past services offer. Mr Faldi Ismail (or nominee) received 4,250,000 shares equivalent to a fee of \$229,500 under the Director past services offer.

#### Pentium Hydro Offer

The issue of 7,800,000 shares to Pentium Hydro vendors as consideration for the Company's acquisition of the entire issued capital of Pentium Hydro under the Pentium Hydro offer. The shares were valued based on the public offer price of \$0.054. A total of 7,800,000 shares were issued to related party vendors of the Company as noted below.

Connada Pty Ltd an entity controlled by executive Director Mr Sheldon Burt received 2,925,000 shares under the Pentium Hydro offer equivalent to consideration of \$157,950. Insight Ecosys Pty Ltd an entity controlled by non-executive Director Mr Chris Brophy received 2,925,000 shares under the Pentium Hydro offer equivalent to consideration of \$157,950. Artificial Holdings Pty Ltd a nominee of Mr Sheldon Burt and Mr Chris Brophy received 1,170,000 shares under the Pentium Hydro offer equivalent to consideration of \$63,180. STRK Corporate Pty Ltd a nominee of Mr Sheldon Burt and Mr Chris Brophy received 780,000 shares under the Pentium Hydro offer equivalent to consideration of \$42,120.



Note 22: Share Based Payments continued...

## Options

During the 12-month period ended 30 June 2020, the Group issued 20,000,000 options (30 June 2019: \$Nil).

Options	30-Jun-20	30-Jun-20	30-Jun-19	30-Jun-19
	No.	\$	No.	\$
At the beginning of the reporting period	-	-	-	-
Options issued under the Chairman options offer	10,000,000	241,000	-	-
Options issued under the Managing Director options offer	10,000,000	123,000	-	-
<b>Total</b>	<b>20,000,000</b>	<b>364,000</b>	<b>-</b>	<b>-</b>

During the year ended 30 June 2020 the Company issued the following options over ordinary shares to Directors as part of compensation that were outstanding as at 30 June 2020.

### Chairman Option Offer

The issue of 10,000,000 options exercisable at \$0.054 on or before 28 August 2024 as performance incentives under the Chairman options offer.

The options were issued to Chairman Mr Peter Hutchinson in lieu of cash fees for the first 6 months following completion of the Acquisitions.

### Managing Director Option Offer

The issue of 10,000,000 options to Managing Director Mr James Clement as part of his remuneration package. The shares were valued based on the public offer price of \$0.054.

The options have been valued using a Hoadley option pricing model.

### Fair Value

The Hoadley option pricing model was used to determine the fair value of the unlisted options issued. The Hoadley inputs and valuation were as follows:

Options	Chairman Options	Managing Director Options	
		Class A	Class B
Number of options	10,000,000	5,000,000	5,000,000
Grant date	5-Jul-19	3-Feb-20	3-Feb-20
Share price at grant date	\$0.033	\$0.67	\$0.67
Issue date	28-Aug-19	3-Feb-20	3-Feb-20
Exercise price	\$0.054	\$0.075	\$0.075
Expected volatility	100%	100%	100%
Implied option life	5 years	3 years	3 years
Expected dividend yield	-	-	-
Risk free rate	1.50%	0.70%	0.70%
Performance hurdle	-	30 day VWAP of \$0.085	30 day VWAP of \$0.100
Valuation per option \$	\$0.0241	\$0.012734	\$0.011866
<b>Total valuation</b>	<b>\$241,000</b>	<b>\$63,670</b>	<b>\$59,330</b>

## Note 22: Share Based Payments continued...

**Performance Rights**

During the year ended 30 June 2020, the Company issued 15,000,000 executive performance rights in three tranches as performance incentives for executive Directors Mr Chris Brophy, Mr Sheldon Burt, and Managing Director, Mr James Clement.

On 28 October 2019, Mr Chris Brophy transitioned from executive Director to non-executive Director.

The 5,000,000 executive performance rights issued to Mr Brophy lapsed given his employment condition as an executive could no longer be met. These unvested, lapsed performance rights were then cancelled.

Accordingly, as at 30 June 2020, the balance of the executive performance rights was 10,000,000.

Performance Rights	30-June-20	30-June-20	30-June-19	30-June-19
	No.	\$	No.	\$
At the beginning of the reporting period	-	-	-	-
28 August 2019- performance rights issued as performance incentives to executive Directors	10,000,000	-	-	-
28 October 2019 – unvested performance rights lapsed and cancelled	(5,000,000)	-	-	-
30 January 2020 – performance rights issued as performance incentives to the Managing Director	5,000,000	-	-	-
<b>Total</b>	<b>10,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>

As at 30 June 2020, 10,000,000 performance rights were on issue and outstanding. Each performance right will convert on a 1:1 basis to fully paid ordinary shares upon achievement of their relevant vesting conditions (refer below).

Tranche	Number of Performance Rights on Issue	Condition Test Date	Vesting Condition
1	3,333,333	30 June 2022	Employment condition <sup>1</sup> Cumulative EPS condition <sup>2</sup>
2	3,333,333	30 June 2023	
3	3,333,334	30 June 2024	

Where the:

1. *Employment condition* – means the holder of the Rights remains employed by the Company at the condition Test Date; and
2. *Cumulative EPS condition* – means the earnings per share (EPS) based on the achievement of compound annual growth in the Company's EPS of 15% per annum from the financial year 30 June 2020, subject to a minimum EPS of \$0.01 for the financial year ending 30 June 2020. The EPS calculation will be based on the Company's cumulative net profit after tax up until the relevant condition test date divided by the weighted average number of shares on issue over the relevant period, taking into account any new shares issued (or cancelled by the Company in the relevant period).

## Note 22: Share Based Payments continued...

**Movements in Performance Rights**

The movement during the reporting period in the number of performance rights in the Company held, directly, indirectly or beneficially, by each key management personnel, including their related parties, is as follows:

Key Management Personnel	Opening balance	Granted as compensation	Exercised	Cancelled	Closing balance	Vested during the year
2020	No.	No.	No.	No.	No.	No.
Peter Hutchinson	-	-	-	-	-	-
James Clement	-	5,000,000	-	-	5,000,000	-
Sheldon Burt	-	5,000,000	-	-	5,000,000	-
Christopher Brophy	-	5,000,000	-	(5,000,000)	-	-
Faldi Ismail	-	-	-	-	-	-
Nicholas Young	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>15,000,000</b>	<b>-</b>	<b>(5,000,000)</b>	<b>10,000,000</b>	<b>-</b>

**Performance Rights**

At 30 June 2020, the unissued ordinary shares of the Company under performance rights are as follows:

Class	Number Under Performance Rights	Value at Grant Date (\$)	Date of Vesting	Management Probability Assessment 30-June-20	Fair Value (\$)
A	3,333,332	191,666	30-Jun-22	0%	-
B	3,333,332	191,667	30-Jun-23	0%	-
C	3,333,336	191,667	30-Jun-24	0%	-
<b>Total</b>	<b>10,000,000</b>	<b>575,000</b>	<b>-</b>	<b>-</b>	<b>-</b>

The performance rights have been valued based on the Company's share price as at the date of their approval for issue. A total valuation of \$575,000 has been determined, assuming satisfaction of performance conditions in full and 100% vesting rate.

At 30 June 2020 the Company has assessed the likelihood of the achievement of the vesting conditions in respect of tranches 1 – 3 of the

performance rights and determined that the achievement of the vesting conditions is uncertain at this point in time.

As a result, no share-based payment was recorded in relation to the performance rights during the year ended 30 June 2020, representing the Company's best estimate of the performance rights that will eventually vest.

**Share Based Payments Expense**

Share based payment expense is comprised as follows:

	30-June-20	30-June-19
	\$	\$
24,000,000 shares issued to Directors as remuneration for past services	1,296,000	-
20,000,000 options as performance incentives	364,000	-
<b>Total share-based payments expense</b>	<b>1,660,000</b>	<b>-</b>



## Note 23: Financial Instruments & Fair Value Measurement

### A: Fair Values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the Notes specific to that asset or liability.

#### i. Trade and Other Receivables and Trade and Other Payables

Trade and other receivables and trade and other payables are short term instruments in nature whose carrying value is equivalent to fair value.

#### ii. Fair Value Hierarchy

Financial instruments carried at fair value are determined by valuation level, as determined in accordance with the relevant accounting standard. The different levels have been defined as:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities;
- **Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There have been no transfers between levels during the current or prior year.

All financial assets and liabilities carried at fair value have been deemed to be level 2 within the fair value hierarchy. With respect to specific financial assets and liabilities, the following valuation methods have been used:

Term receivables and fixed interest securities are determined by discounting the cash flows, as at the market interest rates of similar securities, to their present value.

Other loans and amounts due are determined by discounting the cash flows, at market rates of similar borrowings, to their present value.

Other assets and other liabilities approximate their carrying value. The carrying amount of all financial assets and financial liabilities approximate their fair value at reporting date.

### B: Financial Risk Management Objectives

The Company's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. The Company uses different methods to measure different types of risk to which it is exposed.

This Note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital.

### C: Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Due to the size of the Group, and its low nature of risk with respect to financial risk management, the Board is of the opinion that there is no need to establish a Risk Management Committee for developing and monitoring risk management policies.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

#### i. Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**ii. Foreign Currency Risk**

The Company is not exposed to any significant foreign currency risk. The Group is exposed to currency risk on administration costs, purchases of spare parts and plant and equipment that are denominated in New Zealand dollars (NZD) and US dollars (USD). The Group does not use currency hedging for administration expenses as the receipts in NZD and USD are used to meet the liability obligations of the Group entities denominated in NZD and USD.

The use of currency hedging for exposures relating to spare parts and plant and equipment purchases are assessed on a case by case basis. During the financial year ended 30 June 2020, the Group did not enter into any forward foreign currency contracts.

**iii. Interest Rate Risk**

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

The financial instruments which primarily expose the Group to interest rate risk are borrowings and cash and cash equivalents. The Group manages its exposure to changes in interest rates on

borrowings by using a mix of fixed and floating rate debt. The Group is exposed to movements in market interest rates on short term deposits. The Directors monitor the Group's cash position relative to the expected cash requirements. Where appropriate, surplus funds are placed on deposit earning higher interest. The Group also has short- or long-term debt, and therefore the risk is minimal.

The Company's only exposure to interest rate risk is in relation to deposits held. Deposits are held with reputable banking financial institutions.

**Profile**

At the reporting date the interest rate profile of the Group's variable interest-bearing financial instruments was:

Variable rate instruments	Carrying Amount	
	30-June-20	30-June-19
	(\$)	(\$)
Financial assets	9,706,113	6,983,931
Financial liabilities	-	-
<b>Total</b>	<b>9,706,113</b>	<b>6,983,931</b>

The table below illustrates the impact on profit before tax based upon expected volatility of interest rates using market date and analysis forecasts.

	Basis points change	Basis points increase effect on profit before tax	Effect on equity	Basis points % change	Basis points decrease effect on profit before tax	Effect on equity
<b>30 June 2020</b>						
Cash and equivalents	50	6,667	6,667	50	(6,667)	(6,667)
<b>30 June 2019</b>						
Cash and equivalents	50	34,920	34,920	50	(34,920)	(34,920)

## Note 23: Financial Instruments &amp; Fair Value Measurement continued...

**iv. Price risk**

The Company is not exposed to any significant price risk.

**v. Operational risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit.

This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisations of transactions;
- Requirements for the reconciliation and monitoring of transactions;

- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the competency of personnel, adequacy of controls and risk management procedures to address the risks identified;
- Training and professional development;
- Ethical and business standards; and
- Risk mitigation, including insurance where this is effective.

**vi. Capital management**

The Board's policy is to maintain adequate capital so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group's debt and capital structure includes ordinary share capital and loans and borrowings. The Group is not subject to externally imposed capital requirements. Management effectively manages the Group's capital by assessing the Group's financial risk and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

The Group's debt-to-adjusted capital ratio at the end of the reporting period was as follows:

Capital Management	30-June-20	30-June-19
	(\$)	(\$)
Total liabilities	16,526,715	110,492
Less: cash and cash equivalents	(9,706,113)	(6,983,931)
Net debt	6,820,602	(6,873,439)
Total capital	24,334,908	29,912,298
Debt-to-capital ratio at the end of the period	0.28	(0.23)



**vii. Credit Risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers.

Management has established a credit policy under which each new customer and counterparties to transactions are analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes the use of external ratings, when available. Such monitoring is used in assessing receivables for impairment.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating. The Group's exposure to credit risk is influenced mainly by the individual credit characteristics of each customer. 100% of revenue is attributable to Australian entities.

Details with respect to credit risk of trade and other receivables are provided below. Trade and other receivables that are neither past due nor

impaired are considered to be of high credit quality. Aggregates of such amounts are detailed below.

**Impairment of financial assets**

The Group hold trade receivables that are subject to the expected credit loss model. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

**Trade receivables**

The Group applies the AASB 9 simplified approach to measuring the expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The expected credit losses have been grouped based on shared credit risk characteristics and the days past due.

The historical loss rates are adjusted to reflect current and forward- looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 30 June 2020 and 1 July 2019 was determined as follows for trade receivables:

	Current	< 30	31 - 60	61 - 120	> 120	Total (\$)
<b>1-July-19</b>						
Expected loss rate	0%	0%	0%	0%	3%	
Gross carrying amount - trade receivables	36,206	-	-	-	-	36,206
<b>Loss allowance</b>	-	-	-	-	-	-
<b>30-June-20</b>						
Expected loss rate	0%	0%	0%	0%	3%	
Gross carrying amount - trade receivables	2,766,495	-	-	-	-	2,766,495
<b>Loss allowance</b>	-	-	-	-	-	-

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group and failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item. The Group has not recognised and impairment losses recognised in the statement of profit or loss as at 30 June

2020 arising from contracts with customers. The Group's receivables consist of Tier 1/Tier 2 Mining companies on 30-day net terms with no noted debtor payment issues to date since commencement of current activities.

**Exposure to Credit Risk**

The carrying amount of the Group's financial assets represents the maximum credit exposure. The credit risk on liquid funds is limited because the counterparties are banks with a minimum credit rating of AA assigned by reputable credit rating agencies. The Group's maximum exposure to credit risk at the reporting date was:

## Note 23: Financial Instruments &amp; Fair Value Measurement continued...

Exposure to credit risk	30-June-20	30 -June-19
	(\$)	(\$)
Cash and cash equivalents - AA Rated	9,706,113	6,983,931
Trade receivables	2,766,495	36,206
<b>Total</b>	<b>12,472,608</b>	<b>7,020,137</b>

**viii. Liquidity Risk**

Liquidity risks arises from the possibility that the Company might encounter difficulty in settling its debts or otherwise meeting its obligation related to financial liabilities. Vigilant liquidity risk management requires the Company to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable.

The Company manages liquidity risk by maintaining adequate cash reserves and continuously monitoring actual and forecast cash flows.

**Remaining Contractual Maturities**

The following tables detail the Company's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual cash flows
	\$	\$	\$	\$	\$

**30 June 2020****Non-derivatives***Interest bearing*

Borrowings	3,070,264	3,625,564	3,082,206	-	9,778,034
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*Non-interest bearing*

Trade and other payables	5,022,059	-	-	-	5,022,059
<b>Total non-derivatives</b>	<b>8,092,323</b>	<b>3,625,564</b>	<b>3,082,206</b>	<b>-</b>	<b>14,800,093</b>

**30 June 2019****Non-derivatives***Non-interest bearing*

Trade payables	68,824	-	-	-	68,824
Other payables	41,668	-	-	-	41,668
<b>Total non-derivatives</b>	<b>110,492</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>110,492</b>

**Fair Value of Financial Instruments**

Unless otherwise stated, the carrying amounts of financial instruments approximate their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

## Note 24: Related Party Transactions

### A: Individual Directors and Executives Compensation Disclosures

Information regarding individual Directors and executives' compensation and some equity instruments disclosures as permitted by Corporations Regulations 2M.3.03 is provided in the remuneration report section of the Directors' Report. Apart from the details disclosed in this Note, no director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year-end.

### B: Subsidiaries

All inter-company loans and receivables are eliminated on consolidation and are interest free with no set repayment terms.

### C: Other Key Management Personnel and Director Transactions

Purchases from and sales to related parties are made on terms equivalent to those that prevail in arm's length transactions. The Company acquired the following services from entities that are controlled by members of the Company's KMP. Some Directors, or former Directors of the Company, hold or have held positions in other companies, where it is considered they control or significantly influence the financial or operating policies of those entities. Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Related party	Nature of transactions	Transaction value		Payable balance	
		30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
		\$	\$	\$	\$
Connada Pty Ltd / Mr Sheldon Burt <sup>1</sup>	Shares issued under the Pentium Hydro offer	157,950	-	-	-
Insight Ecosys Pty Ltd / Mr Chris Brophy <sup>2</sup>	Shares issued under the Pentium Hydro offer	157,950	-	-	-
Otsana Pty Ltd trading as Otsana Capital / Mr Faldi Ismail and Mr Nicholas Young	Lead manager and capital raising services	642,702	30,000	11,000	-
Onyx Corporate Pty Ltd / Mr Nicholas Young, Mr Faldi Ismail and Ms Kyla Garic	Accounting and company secretarial services	213,216	54,150	11,034	-

1. Connada Pty Ltd an entity controlled by Mr Burt received 2,925,000 shares under the Pentium Hydro offer equivalent to consideration of \$157,950.
2. Insight Ecosys Pty Ltd an entity controlled by Mr Brophy received 2,925,000 shares under the Pentium Hydro offer equivalent to consideration of \$157,950.

There were no trade receivables to related parties for the financial year ending 30 June 2020 (2019: \$Nil).

Artificial Holdings Pty Ltd a nominee of Mr Sheldon Burt and Mr Chris Brophy received 1,170,000 shares under the Pentium Hydro offer equivalent to consideration of \$63,180. STRK Corporate Pty Ltd a nominee of Mr Sheldon Burt and Mr Chris Brophy received 780,000 shares under the Pentium Hydro offer equivalent to consideration of \$42,120. Refer to Note 22 for further details.



## Note 25: Acquisitions of Pentium Hydro Pty Ltd and Ausdrill Assets

### Summary of Acquisitions

As outlined in the Director's report, the Company has undertaken a significant change in the nature and scale of its activities during the year through the completion of a transaction with Ausdrill under which it has acquired Ausdrill Asset's from Ausdrill for cash payment of \$16 million.

On 28 August 2019 the Company issued 7,800,000 shares to the vendors of Pentium Hydro as consideration for all of the issued capital of Pentium Hydro, at which point Pentium Hydro became a controlled entity of the Company. Pentium Hydro is an Australian company incorporated on 15 January 2019 by Sheldon Burt and Chris Brophy for the purposes of seeking

drilling opportunities. On 29 August 2019 the Company completed the Transaction with Ausdrill via its wholly owned subsidiary Pentium Hydro.

For accounting purposes, the acquisitions of Ausdrill Assets and Pentium Hydro equity are considered to be one transaction given the intents of all parties and the terms and conditions precedent of the respective acquisition agreements.

The Company has determined that the Acquisitions constitute a business combination in accordance with the definitions and guidance provided by AASB 3 Business Combinations.

Details of the Acquisitions are as follows:

	30-June-20
	\$

### A: Purchase Consideration

Cash	16,000,000
Ordinary shares issued (7,800,000 shares at the public offer price of \$0.054)	421,200
<b>Total purchase consideration</b>	<b>16,421,200</b>

### B: Fair Value of Assets and Liabilities at Acquisition Date

Trade and other receivables	10,879
Inventory	2,696,827
Plant and equipment	24,248,453
Trade and other payables	(1,930)
Intercompany loan payable to Vysarn Limited	(60,603)
Deferred tax liability	(3,275,350)
<b>Total identifiable net assets at acquisition date fair value</b>	<b>23,618,276</b>

The deferred tax liability relates to the difference between the fair value and cost of acquired plant and equipment.

### C: Gain on Bargain Purchase

Total purchase consideration	(16,421,200)
Net assets acquired	23,618,276
<b>Gain on bargain purchase</b>	<b>7,197,076</b>

AASB 3 requires that the initial measurement of assets acquired and liabilities assumed must be recorded at fair value rather than allocated cost as in an asset acquisition transaction.

The gain on bargain purchase does not give rise to an increase in net cash and is not taxable. The increase in gain on bargain purchase since that disclosed at 31 December 2019 is as a result of inventory recognised after being catalogued into the Groups new leased premises in Wangara.

### D: Revenue and results contributions

From the date of acquisition, the acquisitions have contributed \$11,912,589 of revenue and \$2,472,743 profit before tax. If the Acquisitions had been completed at 1 July 2019, the Acquisitions would have contributed revenue of \$11,912,589 and \$2,472,743 to profit before tax. Total transaction related costs of \$431,642 has been recognised and expensed though the statement of profit or loss for the 30 June 2020 year.

## Note 26: Parent Entity Disclosures

### Financial Position

	30 June 2020	30 June 2019
	(\$)	(\$)

#### Assets

Current assets	17,220,148	7,034,638
Non-current assets	1,652	-
<b>Total Assets</b>	<b>17,221,800</b>	<b>7,034,638</b>

#### Liabilities

Current liabilities	208,348	110,492
Non-current liabilities	-	-
Total liabilities	208,348	110,492
<b>Net Assets</b>	<b>17,013,452</b>	<b>6,924,146</b>

#### Equity

Share capital	19,135,614	29,912,298
Reserves	364,000	-
Retained losses	(2,486,162)	(22,988,152)
<b>Total Equity</b>	<b>17,013,452</b>	<b>6,924,146</b>

### Financial Performance

Loss for the year	(57,215)	(483,826)
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>(57,215)</b>	<b>(483,826)</b>

#### Guarantees provided in relation to subsidiaries

The Company provides a parent-company guarantee in respect to finance facilities established by Pentium Hydro.





## Note 27: Controlled Entity

The ultimate legal parent entity of the Group is Vysarn Limited, incorporated and domiciled in Australia. The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policies described above.

Controlled entity	Country of Incorporation	Percentage Owned	
		30-Jun-20	30-Jun-19
Pentium Hydro Pty Ltd	Australia	100%	-

The entire issued capital of Pentium Hydro was acquired by the Company on 28 August 2019.

## Note 28: Commitments and Contingencies

The Directors are not aware of any other commitments or any contingent liabilities that may arise from the Group's operations as at 30 June 2020.

## Note 29: Events Subsequent After the Reporting Date

As announced on 27 August 2020, the Company resolved to reduce the share capital of the Company in accordance with Section 258F of the Corporations Act. The capital reduction was effective from 30 June 2020.

There is no other matter or circumstance that has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

## Note 30: Registered Office and Principal Place of Business

### The registered office of The Company is:

108 Outram St, West Perth  
Western Australia 6005

### The principal place of business of The Company is:

11 Gavranich Way, Wangara  
Western Australia 6065





# Directors' Declaration

In the opinion of the Directors of Vysarn Limited:

1. The financial statements and Notes thereto are in accordance with the Corporations Act 2001, including:
  - (a) Giving a true and fair view of the Company's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
  - (b) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2020.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for an on behalf of the Directors by:



**James Clement**

Managing Director and Chief Executive Officer

Dated 27 August 2020

# Independent Auditor's Report

to the Members of Vysarn Limited



## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Vysarn Limited and its controlled entity ('the Group'), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's consolidated financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Pitcher Partners BA&A Pty Ltd

An independent Western Australian Company ABN 76 601 361 095.  
Level 11, 12-14 The Esplanade, Perth WA 6000  
Registered Audit Company Number 467435.  
Liability limited by a scheme under Professional Standards Legislation.

Adelaide Brisbane Melbourne Newcastle Perth Sydney

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## Key Audit Matter

## How our audit addressed the key audit matter

### Revenue recognition

*Refer to Note 2(p) and Note 4 of the Financial Report*

For the year ended 30 June 2020, the Group had revenue of \$11,912,589 from contracts with customers for its hydrogeological and dewatering business activities

The determination of revenue recognition requires management judgements in accounting for revenue, discounts and credit notes in accordance with the Group's identified performance obligations as part of the transaction, as required under *AASB 15 Revenue from contracts with customers* ("AASB 15").

Our procedures included, amongst others:

Obtaining an understanding of the relevant controls associated with the treatment of revenue, including, but not limited to, those relating to identification of performance obligations, discounts, incentives and rebates.

Reviewing and reading significant new contracts to understand their terms and conditions, including specified performance obligations included within and whether Managements' assessment for recognition of revenue under these contract terms is in accordance with AASB 15.

Considering the appropriateness of the Group's revenue recognition accounting policies including those relating to identifying performance obligations, determining the transaction price and allocating the transaction price to the performance obligations in contracts.

Testing a sample of transactions by sighting evidence of signed contracts, related invoices and comparing the revenue amount recognised to the timing of when the Group satisfies performance obligations associated with the transaction in accordance with AASB 15.

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Key Audit Matter	How our audit addressed the key audit matter
<p>Carrying value of plant and equipment <i>Refer to Note 15 to the financial report</i></p> <p>At 30 June 2020, plant and equipment totalling \$24,693,159 represent a significant portion of the Group's consolidated statement of financial position.</p> <p>The evaluation of the recoverable amount of these assets requires significant judgement in determining the key assumptions supporting the expected future cash flows of the business and the utilisation of the relevant assets.</p>	<p>Our procedures included, amongst others:</p> <p>Evaluating the external independent valuation obtained by the Group as part of the Business Combination during the year regarding the fair value of plant and equipment acquired by assessing the valuation methodologies adopted and competence of the valuer.</p> <p>Critically evaluating and challenging the methodology and key assumptions of management in their preparation of cash flow forecasts of the Group which has been deemed a single cash generating unit ("CGU") encompassing plant and equipment on hand at 30 June 2020.</p> <p>Checking the mathematical accuracy of forecast models and agreeing what has been provided to the latest Board approved forecasts</p> <p>Assessing the Group's accounting policy and disclosures for plant and equipment as set out within Note 2(i) and Note 15 to the financial report.</p>

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## Report on the Audit of the Financial Report

### *Opinion*

We have audited the financial report of Vysarn Limited and its controlled entity ('the Group'), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's consolidated financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### *Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matter	How our audit addressed the key audit matter
<p>Share Based Payments</p> <p><i>Refer to Note 2(w) and 23 of the Financial Report</i></p>	
<p>At 30 June 2020, share based payments of \$1,660,000 represent a significant portion of the Group's expenditure.</p> <p>Share based payments must be recorded at fair value of the service provided, or in the absence of such, at the fair value of the underlying equity instrument granted. In calculating the fair value there are a number of management judgements including but not limited to:</p> <ul style="list-style-type: none"> <li>Assessing the probability of achieving key performance milestones in relation to vesting conditions; and</li> <li>Assessing the fair value of the share price on grant date, estimate of expected future share price volatility, expected dividend yield and risk-free rate of interest.</li> </ul>	<p>Our procedures included, amongst others:</p> <p>Obtaining an understanding and evaluation the relevant controls associated with the preparation of the valuation model used to assess the fair value of share based payments, including those relating to volatility of the underlying security and the appropriateness of the model used for valuation.</p> <p>Critically evaluating and challenging the methodology and assumptions of management in their preparation of valuation model, agreeing inputs to internal and external sources of information.</p> <p>Assessing the appropriateness of share based payments expensed during the year pursuant to the requirements of Australian Accounting Standards.</p> <p>Assessing the Group's accounting policy as set out within Note 2(w) and disclosures within Note 22 for compliance with the requirements of AASB 2 <i>Share-based Payment</i>.</p>

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### *Other Information*

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of the Directors for the Financial Report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### *Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Remuneration Report

### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 15 to 25 of the directors' report for the year ended 30 June 2020. In our opinion, the Remuneration Report of Vysarn Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

#### **Pitcher Partners BA&A Pty Ltd**

An independent Western Australian Company ABN 76 601 361 095.  
Level 11, 12-14 The Esplanade, Perth WA 6000  
Registered Audit Company Number 467435.  
Liability limited by a scheme under Professional Standards Legislation.

**Adelaide Brisbane Melbourne Newcastle Perth Sydney**

**Pitcher Partners is an association of independent firms.**

Pitcher Partners is a member of the global network of Baker Tilly International Limited, the members of which are separate and independent legal entities.



### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Pitcher Partners BA&A PTY LTD

PITCHER PARTNERS BA&A PTY LTD

A handwritten signature in black ink, appearing to read 'Paul Mulligan'.

PAUL MULLIGAN  
Executive Director  
Perth, 27 August 2020

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# Additional Shareholder Information

## ASX Additional Information

Additional information required by the ASX Listing Rules and not disclosed elsewhere in this report is set out below. The information is effective as at 14 September 2020.

## Corporate Governance

The Company's 2020 Corporate Governance Statement can be accessed at <https://vysarn.com.au/corporate-governance/>

## Ordinary Share Capital

386,955,864 fully paid ordinary shares are held by 970 individual holders.

## Voting Rights

Subject to the ASX Listing Rules, the Company's constitution and any special rights or restrictions attached to a share, at a meeting of shareholders, voting rights attached to each class of equity security are as follows:

- **Ordinary Shares:** On a show of hands each shareholder present at a meeting of shareholders in person or by proxy shall have one vote and, on a poll, has one vote for each fully paid share held.
- **Unlisted Options and Performance Rights:** Unlisted Options and Performance Rights do not carry any voting rights.

## Twenty Largest Shareholders

Position	Holder Name	Holding	% IC
1	MOLONGLO PTY LTD <P&J HUTCHINSON S/F /C>	56,000,000	14.47%
2	GARRISON HOLDINGS PTY LTD <PAUL COOK SUPER FUND A/C>	16,438,542	4.25%
3	INVIA CUSTODIAN PTY LIMITED <NJ FAMILY A/C/SHARE A/C>	14,592,325	3.77%
4	MR ANTHONY JOHN POWER & MRS SUSAN JANET POWER <THE POWER SUPER FUND A/C>	12,383,847	3.20%
5	LONESEARCH PTY LTD <CARNAC A/C>	9,366,315	2.42%
6	RICH CAB PTY LIMITED	8,676,098	2.24%
7	MR ANASTASIOS KARAFOTIAS	8,605,000	2.22%
8	AH SUPER PTY LTD <THE AH SUPER FUND NO 3 A/C>	7,973,333	2.06%
9	BNP PARIBAS NOMINEES PTY LTD <IOOF INSMT MGMT LTD DRP>	7,800,000	2.02%
10	PRECISION OPPORTUNITIES FUND LTD <INVESTMENT A/C>	6,999,999	1.81%
11	ALLORA EQUITIES PTY LTD <C&E RETIREMENT FUND A/C>	6,160,962	1.59%
12	CONNADA PTY LTD <SHELDON BURT FAMILY A/C>	6,117,315	1.58%
13	MR MARK JOHN BAHEN & MRS MARGARET PATRICIA BAHEN <SUPERANNUATION ACCOUNT>	5,958,346	1.54%
14	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	5,835,000	1.51%
15	RICH CAB PTY LTD <DALE-MCKENZIE S/FUND A/C>	4,375,340	1.13%
16	BENITO TOSCANA PTY LTD <BENITO A/C>	4,250,000	1.10%
17	MONDO ELECTRONICS PTY LTD <MONDO ELECTRONICS S/F A/C>	4,246,114	1.10%
18	YULGERING SUPER PTY LTD <MCGILL SUPER FUND A/C>	4,000,000	1.03%
19	TOMBEL HOLDINGS PTY LTD <CLEMENT SF A/C>	4,000,000	1.03%
20	CORNUCOPIA ASSETS PTY LTD <CORNUCOPIA SUPER FUND A/C>	4,000,000	1.03%
<b>Total top 20 holders of fully paid ordinary shares</b>		<b>197,778,536</b>	<b>51.11%</b>
<b>Total remaining holders balance</b>		<b>189,177,328</b>	<b>48.89%</b>

## Substantial Shareholder

The names of Vysarn Limited's substantial holders and number of shares in which each has a relevant interest, as disclosed in substantial holding notices received by Vysarn Limited as at 14 September 2020, are listed below:

Holder Name	Holding Balance	% IC
MOLOGLO PTY LTD <P&J HUTCHINSON S/F A/C>	56,000,000	14.47

## Distribution of Shares

A distribution schedule of the number of holders of shares is set out below.

		Fully Paid Ordinary Shares		
		Holders	Total Units	%
1	- 1,000	64	5,998	0.002
1,001	- 5,000	33	95,389	0.025
5,001	- 10,000	56	483,284	0.125
10,001	- 100,000	489	19,645,994	5.077
100,001 and over		328	366,725,199	94.792
<b>Totals</b>		<b>970</b>	<b>386,955,864</b>	<b>100.000</b>

## Restricted Securities

As at 14 September 2020 the following securities are escrowed:

Class of Security/ Restriction	End Date	Total Units
Ordinary shares – ASX Imposed	11 September 2021	31,800,000
Unquoted Options exercisable \$0.054, expiring 28 August 2024 – ASX Imposed	11 September 2021	10, 000,000
5,000,000 Performance Rights, expiring 11 September 2021- ASX Imposed	11 September 2021	5,000,000

## Unquoted Securities

As at 14 September 2020 the Company has on issue 20,000,000 Unlisted Options to two holders and 10,000,000 Performance Rights to two holders. The names of substantial security holders holding more than 20% of an unlisted class of security are as follows:

Holder	Unlisted Options	Performance Rights
Molonglo Pty Ltd <Peter Hutchinson Fam A/C>	10,000,000	-
Connada Pty Ltd <Sheldon Burt Family A/C>	-	5,000,000
Loneseach Pty Ltd <Carnac A/C>	10,000,000	5,000,000
Holders individually less than 20%	-	-
<b>Totals</b>	<b>20,000,000</b>	<b>10,000,000</b>

## Unmarketable Parcels

Holdings of less than a marketable parcel of ordinary shares:

**Holders:** 108

**Units:** 167,016

## On-market Buy Back

There is no current on-market buy-back.

## Use of Capital

Pursuant to the requirements of ASX Listing Rule 4.10.19, the Company has used the cash and assets that were readily convertible to cash that it had at the time of reinstatement of its securities to official quotation on the ASX, for the whole of the reporting period, in a way consistent with its business objectives.





**“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”**





**VYSARN**  
LIMITED

**Vysarn Limited** | [ABN: 41 124 212 175](#) | [ACN: 124 212 175](#)

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