

VYSARN LIMITED

QUARTERLY ACTIVITIES REPORT



V Y S A R N

26 April 2019

The Board of Vysarn Limited (ASX: VYS) (**Company**) is pleased to provide the following update and file the Quarterly Activities Report for the period ending 31 March 2019.

As announced to the ASX on 11 April 2019 the Company has entered into a binding agreement with Pentium Hydro Pty Ltd (**Pentium**) and Ausdrill Northwest Pty Ltd (a wholly owned subsidiary of Ausdrill Limited) (**Ausdrill**) (**Asset Sale Agreement**) to acquire various waterwell drilling assets (and associated inventory) (**Assets**) currently used by Ausdrill to conduct its hydrogeological drilling business known as 'Connector Drilling' for cash consideration of \$16 million (**Transaction**).

The Asset Sale Agreement is the result of a comprehensive identification and evaluation process by the Board over the past ~2 years seeking to acquire assets that it believes can provide future value for shareholders. Completion of the Asset Sale Agreement is subject to the satisfaction of various conditions precedent, including ASX and shareholder approval, and the Company obtaining finance to satisfy the purchase price under the agreement.

In connection with the Transaction, the Company intends to obtain debt funding and conduct a public offer capital raising to raise approximately \$5 million (**Public Offer**) to fund the purchase price for the Assets, provide working capital and re-comply with ASX's requirements for admission and quotation to allow the Company to emerge from suspension and relist on ASX with a portfolio of high quality drilling assets currently located in Western Australia.

The Company is in the final stages of completing the Notice of Meeting (**NOM**) to shareholders and has submitted an In-Principle Application to the ASX in relation to listing which is currently being considered by the National Committee. The debt documentation and comprehensive modelling to support the Company's application for \$8m of senior debt is also in final form. The Board has sought to preserve the Company's cash over the past ~2 years as it searched for assets to facilitate the relisting of the Company. Now that the binding Asset Sale Agreement has been entered into, the Company is incurring the necessary expenditure to progress the Transaction, as can be seen by the cash flow forecasts for the next quarter in the accompanying Appendix 5B.

The Board is pleased with the quality and value of the Assets that it has agreed to acquire under the Asset Sale Agreement. The Company is working closely with its advisors to progress the Transaction and working towards completion as soon as possible. A more detailed indicative timetable will be provided in the NOM to be despatched to shareholders. At the upcoming General Meeting shareholder support will be required to complete the Transaction. Should shareholders have any questions regarding the Transaction please contact the Company's Chairman Peter Hutchinson at peter.hutchinson@vysarn.com.

END

For more information contact:

Peter Hutchinson
Chairman
+61 (8) 9486 7244

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

VYSARN LIMITED

ABN

66 009 144 503

Quarter ended ("current quarter")

31 March 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) business development	-	(56)
(c) production	-	-
(d) staff costs	(12)	(31)
(e) administration and corporate costs	(35)	(90)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	48	139
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other	-	-
1.9 Net cash from / (used in) operating activities	1	(39)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) equity investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) equity investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	7,372	7,412
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1	(39)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	7,373	7,373

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	409	408
5.2 Call deposits	6,964	6,964
5.3 Bank overdrafts	-	-
5.4 Other	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	7,373	7,372

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	-
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Nil

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	12
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Payments to Onyx Corporate Pty Ltd (Onyx) for Accounting and Company Secretarial. The entity is associated with Mr Nicholas Young who is a Director of Onyx. Mr Young does not provide the services directly to Vysarn Limited.

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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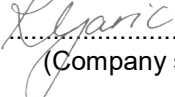
In connection with the Transaction, the Company intends to obtain debt funding and conduct a public offer capital raising to raise approximately \$5 million (**Public Offer**) to fund the purchase price for the Assets, provide working capital and re-comply with ASX's requirements for admission and quotation to allow the Company to emerge from suspension and relist on ASX with a portfolio of high quality drilling assets currently located in Western Australia.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	-
9.2 Development	-
9.3 Production	-
9.4 Staff costs	144
9.5 Administration and corporate costs	16
9.6 Other – Initial expenses associated with Transaction	359
9.7 Total estimated cash outflows	519

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	-	-	-
10.2 Interests in mining tenements and petroleum tenements acquired or increased	-	-	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: .....
(Company secretary)

Date: 26 April 2019

Print name: Kyla Garic

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.