



VYSARN

ASX Announcement

ASX: VYS

11 April 2019

VYSARN TO ACQUIRE WATERWELL DRILLING ASSETS FROM AUSDRILL LIMITED

HIGHLIGHTS

- Vysarn Limited has entered into a binding asset sale agreement with Ausdrill to acquire waterwell drilling assets and inventory currently used by Ausdrill to conduct its hydrogeological drilling business for \$16 million
- The Company will appoint a proven Board and management team with significant operational and technical skills in developing and operating drilling operations in Australia and internationally
- The Company intends to conduct a capital raising of approximately \$5 million and relist on the ASX with a portfolio of high-quality drilling assets located in Australia

SUMMARY

Vysarn Limited (ASX:VYS) (the **Company**) is pleased to announce that it has entered into a binding agreement with Pentium Hydro Pty Ltd (**Pentium**) and Ausdrill Northwest Pty Ltd (a wholly owned subsidiary of Ausdrill Limited (ASX:ASL)) (**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**).

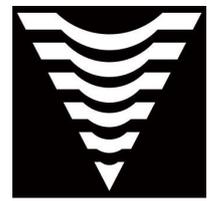
On completion of the Transaction, current Directors Faldi Ismail and Nicholas Young will resign from the Board, with experienced drilling executives Sheldon Burt and Chris Brophy to be appointed as Executive Directors. Well renowned businessman Peter Hutchinson will remain on the Board as Non-Executive Chairman.

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. A summary of the key terms of the Asset Sale Agreement is set out below.

In connection with the Transaction, the Company intends to obtain debt funding of approximately \$8 million and conduct a public offer capital raising to raise approximately \$5 million (**Public Offer**) to fund the purchase of the Assets and provide working capital, re-comply with ASX's requirements for admission and quotation, and emerge from suspension and relist on ASX with a portfolio of high quality drilling assets located in Australia.

The Company intends to issue a notice of meeting to seek shareholder approval for the Transaction and a prospectus to conduct the Public Offer in accordance with the timetable set out further below. Full details of the Transaction will be set out in the notice of meeting and prospectus.

The Transaction will result in a significant change to the nature and scale of the Company's activities. Accordingly, as noted above, the Company will seek shareholder approval under ASX Listing Rule 11.1.2 at a general meeting and will also seek to re-comply with Chapters 1 and 2 of the ASX Listing Rules in accordance with ASX Listing Rule 11.1.3. ASX has absolute discretion in deciding whether or not to re-admit the Company to the ASX Official List. As such, the Transaction may not proceed if ASX exercises that discretion, if the requirements for re-compliance with Chapters 1 and 2 of the ASX Listing Rules are not satisfied or if shareholders do not approve the Transaction. Investors should take account of these uncertainties in deciding whether or not to buy or sell the Company's securities.



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THE ASSETS AND THE COMPANY'S BUSINESS MOVING FORWARD

The acquisition of the Assets underpins the Company's aim to become a significant provider of production critical services and solutions to the resources, construction and utilities industries. The Assets will enable the Company to meet the growing demands of these industries and their requirements relating to fluid extraction and distribution management as well as mineral resource definition. These services and solutions will include drilling, top of hole infrastructure, fluid and power distribution infrastructure, process control and ongoing support services.

For the resources market, the services to be offered by the Company include Water Well drilling, cavity grouting and mine services critical to dewatering activities required to provide access to below water table resources and production activities. For the construction and utilities industries, the Assets enable the Company to provide geotechnical capability, fluid and distribution management services and solutions.

The Assets include a large fleet of state-of-the-art conventional air, mud and dual rotary drill rig suites. This suite of Assets will position the Company well to meet ever-changing industry demands by enabling the Company to offer services to complimentary industries, resources, construction and infrastructure.

The Assets to be acquired by the Company form part of the assets currently used by Ausdrill to conduct its hydrogeological and production services drilling business known as 'Connector Drilling', and include:

- five Foremost DR24 Dual Rotary Rigs;
- three Schramm T130D Rigs with deep hole dual rotary capability;
- two Schramm 685 Conventional Rigs;
- ancillary equipment required as part of above rig suits including casing rotators, rod loaders, multiple Sullair air compressors, rig carriers, CAT backhoes;
- downhole equipment including drill rods, drill bits and stabilisers;
- crew carriers and light vehicles;
- additional equipment to manage spares; and
- associated inventory.

The key risks and dependencies of the Company's new business will include:

- New business risk: the Company is acquiring a suite of Assets to form the basis of a new water management services and solutions business. The Company's ability to generate revenue will be reliant on it being able to attract clients for the services it will provide. Whilst the incoming Executive Directors have extensive industry experience and contacts, the Company's ability to attract clients cannot be guaranteed.
- Safety risk: the Company intends to operate the Assets with the highest level of safety and in accordance with Australian health and safety requirements. However, due to the nature of its proposed operations and services, the Company's employees and contractors will be exposed to safety risks. Any health and safety incidents could have an adverse effect on the Company's operations and performance.
- Environmental risk: the nature of the Company's proposed operations and services will expose it to environmental risks, which could have an adverse effect on the Company's operations and performance.
- Asset condition and maintenance risk: the Company will ensure the Assets are maintained in good working condition through regular maintenance, but there can be no guarantees that the Assets will not break down or do not perform as expected by the Company.

TRANSACTION DETAILS

Share Sale Agreement

Pentium is a recently incorporated special purpose vehicle established by Sheldon Burt and Chris Brophy for the purposes of seeking drilling opportunities. The two shareholders of Pentium are entities controlled by Messrs Burt and Brophy. Pentium assisted to introduce the Ausdrill Assets to the Company, and Messrs Burt and Brophy will be appointed Executive Directors of the Company on completion of the Transaction.

The shareholders of Pentium have entered into a share sale agreement with the Company pursuant to which the Company will acquire all the issued shares of Pentium in consideration for the issue of a total of 7,800,000 fully paid ordinary shares in the Company (**Shares**) and Pentium will become a wholly owned subsidiary of the Company (**SSA**). Completion under the SSA is conditional on Company shareholder approval and all the conditions to the Asset Sale Agreement being satisfied, and is expected to occur immediately prior to completion under the Asset Sale Agreement.

Asset Sale Agreement

The Company, Pentium and Ausdrill have entered into the Asset Sale Agreement on 10 April 2019. Pursuant to this agreement, the Company and Pentium will acquire the Assets for \$16 million cash.

The Company and Pentium are the joint buyers under the Asset Sale Agreement and will nominate an entity to take title to the Assets on completion. It is intended that Pentium will be nominated to take title to the Assets, at which time it will be a wholly owned subsidiary of the Company.

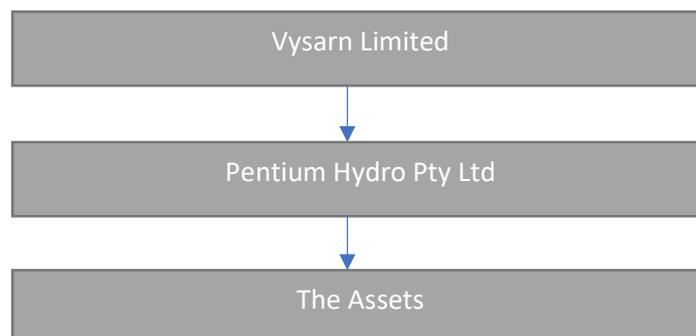
Completion under the Asset Sale Agreement is conditional on:

- **Finance:** the Company and Pentium having sufficient cash amounts (from existing cash reserves and debt and equity funding) to satisfy the obligation to pay the purchase price;
- **Shareholder and ASX approval:** the Company and Pentium obtaining all necessary shareholder and ASX approvals to proceed with the Transaction; and
- **Consents:** Ausdrill obtains all consents and releases under any agreement and/or financing arrangements to allow the sale of the Assets free of encumbrances.

The Asset Sale Agreement also contains a number of standard terms and conditions, including representations and warranties from each party, and obligations on Ausdrill to maintain the Assets in good standing until completion.

CORPORATE STRUCTURE

It is proposed that completion of the transaction contemplated under the SSA will occur immediately prior to completion of the acquisition of the Assets pursuant to the Asset Sale Agreement. Upon completion of these transactions, the corporate structure of the Company will be as follows:



CAPITAL RAISING

The Company intends to undertake the Public Offer under a prospectus, and is finalising the terms on which it will undertake this raising. At this stage it is anticipated that the Company will raise approximately \$5 million by way of an offer of 92,592,593 Shares at an indicative issue price of \$0.054 per Share. It is anticipated that the Public Offer will be subject to a minimum subscription of the full \$5 million. It is not anticipated that the Public Offer will be underwritten. In addition, as noted earlier, the Company also intends to seek debt funding of \$8 million (**Debt Facility**).

Funds under the Public Offer, Debt Facility and existing cash reserves will be used to fund the purchase price for the Assets, to allow the Company to pursue its strategy as detailed above, for costs of the Transaction and facilitating the relisting of the Company on ASX, and for working capital.



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BOARD AND MANAGEMENT

Upon completion of the Transaction, current Company directors, Faldi Ismail and Nicholas Young will retire, with Peter Hutchinson to remain on the Board as Non-Executive Chairman. Sheldon Burt and Chris Brophy will be appointed as Executive Directors such that the Board will comprise Messrs Hutchinson, Burt and Brophy. The current Company Secretary of the Company Kyla Garic will remain in this role following completion of the Transaction. Brief profiles of the proposed Board members and Company Secretary is set out below:

Mr Peter Hutchinson - Chairman

Mr Hutchinson holds a Bachelor of Commerce (UWA) and is a Fellow of both the Australian Institute of Company Directors and Certified Practising Accountants. He has at the most senior level managed a diverse portfolio of industrial investments in manufacturing, engineering, construction and property over a 30-year period. He was a Non-Executive Director of Kumarina Resources Ltd (now Zeta Resources). 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 he 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 M&A, prospectus preparation, ASX listings, compliance and corporate governance, company secretarial requirements and exit strategies, and has been a Member of various Audit, Remuneration and Nomination Committees, often as Chairman. He was previously a Council Member of St Thomas More College (UWA) and Foundation Member Aquinas College, Perth Western Australia.

Mr Sheldon Burt - Executive Director

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, operations, senior management and directorships.

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

More recently, Mr Burt was General Manager of Easternwell Minerals and Gorey & Cole Drillers. Easternwell is subsidiary of Broadspectrum (formerly Transfield Services Ltd).

Mr Chris Brophy - Executive Director

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

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

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

Ms Kyla Garic – Company Secretary

Kyla Garic (BCom, MAcc, GradDip CA) is a Chartered Accountant and director of Onyx Corporate. Onyx Corporate provides financial reporting and accounting services, including reconstruction and accounting compliance for companies undergoing recapitalisation. Ms Garic is currently the Company Secretary of ASX-listed Raiden Resources Limited (ASX:RDN).



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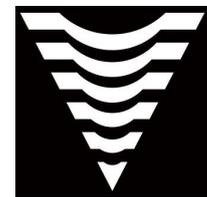
PRO-FORMA CAPITAL STRUCTURE

The pro-forma capital structure of the Company assuming completion of the Transaction and full subscription under the Public Offer is set out below:

	Shares	Performance Rights	Options
Existing Securities	136,228,616	-	-
Shares to be issued to Pentium shareholders	7,800,000	-	-
Performance Rights to be issued to existing Directors ¹	-	24,000,000	-
Performance Rights to be issued to proposed Executive Directors ²	-	10,000,000	-
Incentive Options to be issued to Chairman ³	-	-	10,000,000
Public Offer	92,592,593	-	-
Total	236,621,209	34,000,000	10,000,000

Notes:

1. Subject to shareholder approval, the Company intends to issue a total of 24 million performance rights to the existing Directors or their nominees. It is intended that these performance rights will vest and be converted into Shares subject to completion of the Acquisition and the reinstatement of the Company on ASX. Since their respective appointments, the Directors have spent considerable time and effort into restructuring and operating the Company, and assessing and conducting due diligence on various assets and businesses to facilitate the relisting of the Company on ASX. It should be noted that the proposed Public Offer price of \$0.054 was the net asset backing per Share as at 31 December 2018, and is a significant premium to the last traded price of Shares of \$0.035, being the Share price when the Company was suspended from trading on ASX on 14 July 2016.
2. Subject to shareholder approval, the Company intends to issue 5 million performance rights each to the incoming Executive Directors, Sheldon Burt and Chris Brophy or their nominees as part of their employment contracts with the Company. The performance rights are rights to acquire Shares in the Company subject to satisfaction of specified performance conditions during a specified performance period. The performance conditions and period are yet to be agreed but will be based on the performance of the Executive and the Company. As such, the grant of performance rights will align the interests of the Directors with that of shareholders and provide incentive by enabling them to participate in the future growth and success of the Company.
3. Subject to shareholder approval, the Company intends to issue 10 million options, each with an exercise price of \$0.054 expiring 5 years from the date of issue, to Mr Hutchinson or his nominee. Mr Hutchinson will remain on the Board as Non-Executive Chairman. The grant of options will align the interests of Mr Hutchinson with that of shareholders and provide incentive by enabling him to participate in the future growth and success of the Company.
4. Further information will be set out in the notice of meeting to be despatched to shareholders to seek approval for the Acquisition and the issue of the performance rights and options noted above.



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PRO-FORMA BALANCE SHEET AND LIKELY EFFECT ON REVENUE, PROFIT AND EXPENDITURE

An unaudited indicative pro forma statement of financial position of the Company which details the likely effect of the Transaction, the Public Offer and the Debt Facility on the Company is included as Schedule 1 to this announcement.

The Company's main business activity on completion of the Acquisition will be to establish a business operating the Assets. As the Company will be establishing a new business, the Company is not in a position to predict the likely effect the Acquisition will have on the revenue, expenditure and profit of the Company.

EFFECT ON CONTROL

No person will acquire control of, or voting power of 20% or more in, the Company as a result of the Transaction.

TIMETABLE

The anticipated timetable to completion of the Transaction is as follows:

Event	Indicative Timing
Despatch of Notice of Meeting to Shareholders	~24 May 2019
Lodgement of Prospectus with ASIC and ASX	~29 May 2019
Prospectus offer opens	~29 May 2019
General Meeting ASX notified whether Shareholders' have approved the Transaction	~24 June 2019
Prospectus offers close	~25 June 2019
Completion of the Transaction	~28 June 2019
Reinstatement of Shares on ASX (subject to the Company re-complying with Chapters 1 and 2 of the Listing Rules and subject to ASX agreeing to reinstate the Shares to quotation)	~5 July 2019

Note: The dates in this timetable are indicative only and subject to change.

OTHER MATTERS

The following matters are noted in accordance with ASX Guidance Note 12:

- the Company has undertaken appropriate enquiries into the Assets to be satisfied that the Transaction is in the interests of the Company and its shareholders;
- ASX takes no responsibility for the contents of this announcement; and
- the Company is in compliance with its continuous disclosure obligations under Listing Rule 3.1.

Schedule 1 - Unaudited pro forma balance sheet

	Vysarn Limited Reviewed Balance Sheet at 31 December 2018 AUD	Share Sale Agreement (Pentium Hydro) (Equity) (1) AUD	Purchase of Assets (Asset Sale Agreement) (2) AUD	Issue of performance rights (3) AUD	Debt Funding Arrangement (4) AUD	Issue of Options (5) AUD	Elimination of Investment (6) AUD	Capital raise issue of 92,592,593 shares at \$0.054 (net of cost) (7) AUD	Unaudited Proforma on completion of transaction AUD
Current Assets									
Cash and cash equivalents	7,372,334	-	(16,000,000)	-	8,000,000	-	-	4,110,000	3,482,334
Trade and other receivables	14,382	-	-	-	-	-	-	-	14,382
Inventory	15,045	-	3,000,000	-	-	-	-	-	3,015,045
Total Current Assets	7,401,761	-	(13,000,000)	-	8,000,000	-	-	4,110,000	6,511,761
Non-Current Assets									
Property, plant and equipment	-	-	13,000,000	-	-	-	425,000	-	13,425,000
Investment in Subsidiary	-	425,000	-	-	-	-	(425,000)	-	-
Total Non-Current Assets	-	425,000	13,000,000	-	-	-	-	-	13,425,000
TOTAL ASSETS	7,401,761	425,000	-	-	8,000,000	-	-	4,110,000	19,936,761
Current Liabilities									
Trade and other payables	18,635	-	-	-	-	-	-	-	18,635
Total Current Liabilities	18,635	-	-	-	-	-	-	-	18,635
Non-Current Liabilities									
Borrowings	-	-	-	-	8,000,000	-	-	-	8,000,000
Total Non-Current Liabilities	-	-	-	-	8,000,000	-	-	-	8,000,000
TOTAL LIABILITIES	18,635	-	-	-	8,000,000	-	-	-	8,018,635
NET ASSETS	7,383,126	425,000	-	-	-	-	-	4,110,000	11,918,126

EQUITY

Issued capital	29,912,298	425,000	-	1,296,000	-	-	4,674,769	36,308,067
Reserves			-	540,000	-	240,000	-	780,000
Accumulated losses	(22,529,172)	-	-	(1,836,000)	-	(240,000)	(564,769)	(25,169,941)
TOTAL EQUITY	7,383,126	425,000	-	-	-	-	4,110,000	11,918,126

Notes

- (1) Issue of 7,800,000 consideration shares for 100% equity in Pentium Hydro Pty Ltd.
- (2) Consideration of \$16m cash (GST amount excluded) deemed to be Fair Value of recognition. Assets acquired include PPE and Inventory (~13m PPE ~3m Inventory)
- (3) The issue of 24,000,000 performance rights (existing board) and 10,000,000 performance rights to incoming executives.
- (4) Enter into Debt Funding facility, \$8,000,000 as part of the Company's finance strategy.
- (5) Issue 10,000,000 options to Chairman, options exercisable at \$0.054 within 5 years.
- (6) Elimination of investment and recognition of asset.
- (7) Capital raise under the Public Offer of 92,592,593 shares at \$0.054 to raise \$5,000,000, less costs.