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## NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY STATEMENT

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The Annual General Meeting will be held:

- At HWL Ebsworth Lawyers, Level 26, 530 Collins St, Melbourne, Victoria;
- on Friday, 18 November 2016 commencing at 10.00am (AEDT).

The Notice of Meeting and Explanatory Statement follows, together with generic Proxy Form.

Included in the Notice of Meeting are proposed resolutions for approval of:

- Return of Capital
- Grant of Options to Mr Steve Johnston
- Share Consolidation

For further information regarding this announcement, contact:

**Bob Tolliday**  
**Company Secretary**  
**ALLIANCE RESOURCES LIMITED**

Email: [info@allianceresources.com.au](mailto:info@allianceresources.com.au)

### About Alliance Resources

Further information relating to the Company and its various mining and exploration projects can be found on the Company's website at [www.allianceresources.com.au](http://www.allianceresources.com.au).



# ALLIANCE RESOURCES LIMITED

ABN 38 063 293 336

("Alliance" or "Company")

**THIS IS AN IMPORTANT DOCUMENT  
AND REQUIRES YOUR ATTENTION**

If you are in any doubt as to how to deal with it,  
please consult your financial or other professional adviser.

## NOTICE OF ANNUAL GENERAL MEETING

**The annual general meeting will be held:**

- at HWL Ebsworth Lawyers, Level 26, 530 Collins St, Melbourne, Victoria
- on Friday, 18 November 2016 commencing at 10.00am (AEDT).

**You can vote by:**

- attending and voting at the meeting; or
- appointing someone as your proxy to attend and vote at the meeting on your behalf, by completing and returning the proxy form to Alliance in the manner set out in section 6(a) of this notice of meeting. The proxy form (and any power of attorney under which it is signed) must be received by Alliance no later than 10.00am (AEDT) on 16 November 2016. Any proxy form received after that time will not be valid for the meeting.

**ALLIANCE RESOURCES LIMITED**  
**ABN 38 063 293 336**

**NOTICE OF ANNUAL GENERAL MEETING**

The annual general meeting of the Shareholders of Alliance Resources Limited (**Company**) will be held:

- On **Friday, 18 November 2016**
- At **10.00am (AEDT)**
- At **HWL Ebsworth Lawyers, Level 26, 530 Collins St, Melbourne, Victoria**

Terms and abbreviations used in this Notice and Explanatory Statement are defined in section 6 "DEFINITIONS" of the Explanatory Statement.

**1. BUSINESS**

**A. Financial statements and reports**

To table the following statements and reports and provide Shareholders with the opportunity to raise any issues or ask questions generally of the Directors concerning those financial statements or the business operations of the Company:

- (a) the Financial Report of the Company and of the controlled entities for the year ended 30 June 2016;
- (b) the Directors' Report; and
- (c) the Auditor's Report.

**B. Resolutions**

**1. Resolution 1: Adoption of Remuneration Report**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*"THAT the Remuneration Report for the year ended 30 June 2016 be adopted by the Company."*

Notes:

- This Resolution is advisory only and does not bind the Company or the Directors.
- The Directors will consider the outcome of the vote and comments made by Shareholders on the Remuneration Report at the Meeting when reviewing the Company's remuneration policy.
- If 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive annual general meetings, Shareholders will be required to vote at the second of those annual general meetings on a resolution (a "spill resolution") that another meeting be held within 90 days at which all of the Company's Directors (other than a managing director) must go up for re-election.
- The Chairman of the Meeting will call a poll for this resolution.

**2. Resolution 2: Re-election of Director**

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

*"THAT Mr Ian Gandel, a Director retiring by rotation in accordance with rule 58.1 of the Company's Constitution, being eligible for re-election and having signified his candidature for the office, be re-elected as a Director of the Company."*

Notes:

- The non-candidate Directors unanimously support the re-election of Mr Ian Gandel.
- The Chairman of the Meeting intends to vote undirected proxies in favour of Mr Gandel's re-election.

**3. Resolution 3: Approval of 10% Placement Facility**

To consider and, if thought fit, pass the following resolution as a special resolution:

*"THAT, pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Statement."*

**4. Resolution 4: Employee Share Option Plan**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*"THAT, for the purposes of Listing Rule 7.2 (Exception 9) and for all other purposes, the Company's Employee Share Option Plan (as approved by Shareholders on 29 November 2013) be approved, and the grant of Options from time to time under the Employee Share Option Plan as an exception to Listing Rule 7.1 be approved, on the terms and conditions in the Explanatory Statement."*

**5. Resolution 5: Grant of Options to Mr Steve Johnston**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*"THAT, pursuant to and in accordance with Listing Rule 10.14 and all other purposes, approval be given to grant 16,000,000 Options to Mr Steve Johnston (Managing Director of the Company) in accordance with the terms of the Company's Employee Share Option Plan and on the terms and conditions in the Explanatory Statement."*

**6. Resolution 6: Return of Capital**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*"THAT, for the purposes of Section 256B and 256C of the Corporations Act and for all other purposes, the issued share capital of the Company be reduced by \$8,343,475 (assuming 417,173,773 Shares on issue as at 23 November 2016, being the Capital Return Record Date) by returning to Shareholders on a pro-rata basis \$0.02 for each Share held on the Capital Return Record Date, as more fully described in the Explanatory Statement."*

**7. Resolution 7: Share Consolidation**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*"THAT, for the purposes of section 254H of the Corporations Act and for all other purposes, approval be given for the consolidation of every four Shares on issue at 5.00pm (AEDT) on 2 December 2016 (being the Consolidation Record Date) into one Share, on the terms and conditions set out in the Explanatory Memorandum."*

Please refer to the attached Explanatory Statement for further information on the proposed Resolutions.

**2. VOTING RESTRICTIONS**

Resolution 1:

In accordance with section 250R of the Corporations Act, a vote on Resolution 1 must not be cast by, or on behalf of, a member of the key management personnel whose remuneration details are included in the Remuneration Report, or a closely related party of such member.

However, a vote may be cast by such person if:

- (a) the person is acting as proxy and the proxy form specifies how the proxy is to vote, and the vote is not cast on behalf of a person who is otherwise excluded from voting on Resolution 1 as described above; or
- (b) the person is the chairperson voting an undirected proxy which expressly authorises him or her to vote the proxy on a resolution connected with the remuneration of a member of the key management personnel.

Resolution 3:

The Company will disregard any votes cast on Resolution 3 by a person (and any associates of such a person) who may participate in the 10% Placement Facility and a person (and any associates of such a person) who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if Resolution 3 is passed.

However, the Company need not disregard a vote in respect of Resolution 3 if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by a person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 4:

The Company will disregard any votes cast on Resolution 4 by any Director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and any associates of those Directors.

However, the Company need not disregard a vote in respect of Resolution 4 if:

- (a) the person is acting as proxy and the proxy form specifies how the proxy is to vote, and the vote is not cast on behalf of a person who is otherwise excluded from voting on Resolution 4 as described above; or
- (b) the person is the chairperson voting an undirected proxy which expressly authorises him or her to vote the proxy on a resolution connected with the remuneration of a member of the key management personnel.

Resolution 5:

The Company will disregard any votes cast on Resolution 5 by any Director of the Company (who are eligible to participate in the ESOP) and any associates of those Directors.

However, the Company need not disregard a vote in respect of Resolution 5 if:

- (a) the person is acting as proxy and the proxy form specifies how the proxy is to vote, and the vote is not cast on behalf of a person who is otherwise excluded from voting on Resolution 5 as described above; or
- (b) the person is the chairperson voting an undirected proxy which expressly authorises him or her to vote the proxy on a resolution connected with the remuneration of a member of the key management personnel.

There are no voting restrictions on Resolutions 2, 6 or 7.

**3. VOTING ENTITLEMENT**

The Company has determined, in accordance with Regulation 7.11.37 of the *Corporations Regulations 2001*, that the Shares quoted on ASX at 7.00pm (AEDT) on 16 November 2016 will be taken for the purpose of the Meeting to be held by the persons who held them at that time. Accordingly, those persons will be entitled to attend and vote (if not excluded) at the Meeting.

**4. HOW TO VOTE**

Shareholders entitled to vote at the Meeting may vote by attending the Meeting in person, by attorney or proxy or, in the case of corporate Shareholders, by a corporate representative.

## 5. VOTING IN PERSON OR BY ATTORNEY

Shareholders or their attorneys wishing to vote in person should attend the Meeting. Persons are asked to arrive at least 30 minutes prior to the time the Meeting is to commence, so that their Shareholding may be checked against the register and their attendance recorded. Shareholders intending to attend the Meeting by attorney must ensure that they have, not later than 48 hours prior to the time the Meeting is to commence, provided the original or a certified copy of the power of attorney to the Company, in the same manner prescribed below for the giving of proxy forms to the Company.

## 6. VOTING BY PROXY

(a) Shareholders wishing to vote by proxy must complete, sign and deliver the enclosed personalised proxy form or forms, in accordance with the instructions on the form, prior to 10.00am (AEDT) on 16 November 2016 by:

- Post to: GPO Box 242, Melbourne, Victoria 3001  
in the reply paid envelope provided;
- Hand delivery to: Alliance Resources Limited  
C/- Computershare Investor Services Pty Limited,  
452 Johnston Street, Abbotsford, Victoria 3067;
- Fax to: Alliance Resources Limited  
C/- Computershare Investor Services Pty Limited on  
1 800 783 447 (within Australia) or +61 3 9473 2555  
(outside Australia);
- Online: [www.investorvote.com.au](http://www.investorvote.com.au); or
- Custodians: For Intermediary Online subscribers only, please visit  
[www.intermediaryonline.com](http://www.intermediaryonline.com).

(b) A Shareholder who is entitled to vote at the Meeting may appoint:

- (1) one proxy if the Shareholder is only entitled to one vote; or
- (2) one or two proxies if the Shareholder is entitled to more than one vote.

(c) If a Shareholder appoints one proxy, that proxy may vote on a show of hands. If a Shareholder appoints two proxies, neither proxy may vote on a show of hands.

(d) Where the Shareholder appoints two proxies, the appointment may specify the proportion or number of votes that each proxy may exercise. If the appointment does not do so, each proxy may exercise one-half of the votes, and any fraction of votes will be disregarded.

(e) A proxy need not be a Shareholder of the Company. In the case of joint holders, all should sign the proxy form. In the case of corporations, proxies must be executed in accordance with the Corporations Act.

(f) To be valid, a proxy form signed under a power of attorney must be accompanied by the signed power of attorney, or a certified copy of the power of attorney.

(g) If the abstention box on the proxy form for the item of business is marked, the proxy will be directed not to vote on a show of hands or on a poll and the relevant Shares will not be counted in calculating the required majority on a poll. If no box is marked, the proxy will not be directed as to how to vote and may vote as he or she thinks fit.

(h) If the proxy form is signed by the Shareholder but does not name the proxy or proxies in whose favour it is given, or the proxy does not attend the Meeting, the chairperson of the Meeting will act as the proxy.

(i) If you require an additional proxy form, the Company will supply it on request to the undersigned.

**7. HOW THE CHAIR OF THE MEETING WILL VOTE UNDIRECTED PROXIES**

The chairperson of the Meeting will vote undirected proxies on, and in favour of, all the proposed Resolutions, including Resolution 1, even though Resolution 1 is connected directly or indirectly with the remuneration of a member of key management personnel.

Please note that if you appoint the chairperson of the Meeting as your proxy, you can direct the chairperson to vote for or against or abstain from voting.

**8. VOTING BY CORPORATE REPRESENTATIVE**

Corporate Shareholders wishing to vote by corporate representative should:

- (a) obtain an appointment of corporate representative form from the Registry;
- (b) complete and sign the form in accordance with the instructions on it; and
- (c) bring the completed and signed form with them to the Meeting.

**DATED 17 October 2016**

By order of the Board.

**Mr Robert Tolliday  
Company Secretary**

# ALLIANCE RESOURCES LIMITED

ABN 38 063 293 336

## EXPLANATORY STATEMENT

### 1. INTRODUCTION

The purpose of this Explanatory Statement is to provide Shareholders with an explanation of the business of the Meeting and the Resolutions proposed to be considered at the Meeting of Alliance Resources Limited at 10.00am on Friday, 18 November 2016, and to assist Shareholders in determining how they wish to vote on those Resolutions. This Explanatory Statement should be read in conjunction with the Notice and forms part of the Notice.

### 2. BUSINESS OF THE MEETING - SUMMARY

(a) To table the financial statements of the Company for the period ended 30 June 2016 and to give the Shareholders the opportunity to raise issues and ask questions generally concerning the financial statements or business operations of the Company.

(b) To consider and vote on the following Resolutions:

*Resolution 1 - to adopt the Remuneration Report*

*Resolution 2 - to re-elect Mr Ian Gandel as a Director*

*Resolution 3 - approval of 10% Placement Facility*

*Resolution 4 - to refresh approval of the Employee Share Option Plan*

*Resolution 5 - to grant Options to Mr Steve Johnston*

*Resolution 6 - return of capital*

*Resolution 7 - share consolidation*

### 3. FINANCIAL STATEMENTS AND REPORTS

The Board is required to lay before the Meeting the Financial Report, Directors' Report and Auditor's Report for the year ended 30 June 2016.

Copies of the Annual Report for the period ended 30 June 2016 are being despatched to Shareholders with this Notice, and it is available to view on the Company website [www.allianceresources.com.au](http://www.allianceresources.com.au).

Shareholders can also request additional copies of the Annual Report by telephoning the Company Secretary, Mr Robert Tolliday on (+61 3) 9697 9090.

The chairperson of the Meeting will take Shareholders' questions and comments about the management of the Company.

The auditor of the Company will be available to take Shareholders' questions about the conduct of the audit, the preparation and content of the Auditor's Report, the accounting policies adopted by the Company in relation to the preparation of the financial statements and the independence of the auditor in relation to the conduct of the audit.

In addition to taking questions at the Meeting, written questions to the auditor about the content of the Auditor's Report and the conduct of the audit of the Financial Report to be considered at the Meeting may be submitted not later than five business days before the Meeting to:

The Company Secretary  
Alliance Resources Limited  
Suite 3, 51-55 City Road  
Southbank Victoria 3006

Facsimile: +61 3 9697 9091  
E-mail: [bobt@allianceresources.com.au](mailto:bobt@allianceresources.com.au)

Copies of any questions received will be made available at the Meeting. The chairperson of the Meeting will allow the auditor to answer written questions submitted to the auditor before the Meeting. If the auditor has prepared a written answer to a question, the chairperson of the Meeting may permit the auditor to table that written answer. A written answer tabled at the Meeting will be made available to Shareholders as soon as reasonably practicable after the Meeting.

Shareholders are not required to pass any resolution in relation to the financial statements and reports, other than Resolution 1 being the adoption of the Remuneration Report for the year ended 30 June 2016.

#### **4. RESOLUTIONS**

##### **4.1 Resolution 1 – Adoption of Remuneration Report for year ended 30 June 2016**

The Directors' Report in the Annual Report for the year ended 30 June 2016 contains (in a separate and clearly defined section) a Remuneration Report which sets out the remuneration policy of the Company and reports the remuneration arrangements in place for specified executives and the Directors.

The Company is required by the Corporations Act to put to the vote at the Meeting a resolution that the Remuneration Report be adopted. The Company is also required to inform Shareholders in the Notice that a resolution to this effect will be put at the Meeting.

Before calling for votes in relation to this Resolution 1, the Chairman of the Meeting will allow a reasonable opportunity for the Shareholders present to ask questions about, or make comments on, the Remuneration Report.

It should be noted that, in accordance with section 250R(3) of the Corporations Act, the vote on this Resolution is advisory only and does not bind the Directors or the Company. However, if at least 25% of the votes cast on the Resolution are voted against adoption of the Remuneration Report at two consecutive annual general meetings, the Shareholders will be required to vote at the second of those annual general meetings on a resolution ("spill resolution") that another meeting will be held within 90 days at which all of the Company's Directors (other than the Managing Director) must go up for re-election. At the 2015 annual general meeting, less than 25% of votes were cast against adoption of the remuneration report for the year ended 30 June 2015.

In the 2016 financial year, as announced on 27 April 2016, Director related remuneration was reduced resulting in annualised future cost savings of approximately 48% with effect from 31 May 2016 to reflect the change in operational status from a miner in 2015 to an explorer in 2016.

Noting that each Director has a personal interest in his own remuneration from the Company as set out in the Remuneration Report, the Directors unanimously recommend that you vote in favour of Resolution 1.

##### **4.2 Resolution 2 - Re-election of Ian Gandel as a Director**

Rule 58.1 of the Constitution provides that at every annual general meeting one third of the Directors or, if their number is not a multiple of three, then the number nearest to but not more than one third of the Directors, must retire. The Directors retire by rotation, with the Director who has been the longest in office since being elected, or re-elected, being the Director who must retire. If two or more Directors were elected on the same day, they are required to agree among themselves or determine by drawing lots which of them must retire. Under rule 58.4, a retiring Director is eligible for re-election as a Director at the annual general meeting at which he retires.

Mr Ian Gandel has been a Director of the Company since 15 October 2003. He is a non-independent, non-executive Director and currently chairman of the Company. Details of his experience and qualifications are set out on page 9 of the Annual Report.

Mr Gandel will retire in accordance with the requirements of the Constitution at the close of the Meeting. As he is entitled to, and is eligible for, re-election, he seeks re-election as a Director.

The Directors (other than Mr Gandel) recommend that you vote in favour of this Resolution. Mr Gandel makes no recommendation to Shareholders.

#### 4.3 Resolution 3 – Approval of 10% Placement Facility

(a) Background

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of their issued capital through placements over a 12 month period after the annual general meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity on the basis that its market capitalisation as at 10 October 2016 was \$18,355,646 (being 417,173,773 Shares on issue x \$0.044 Share price).

The Company is now seeking Shareholder approval, by way of a special resolution, to have the ability to issue Equity Securities under the 10% Placement Facility.

The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to section 4.3(b)(iii) below).

The Company continues actively investigating the acquisition of new resources, assets and investments. The Company may use the 10% Placement Facility to acquire new resources, assets or investments.

(b) Description of Listing Rule 7.1A

(i) Shareholder approval

The ability to issue Equity Securities under the 10% Placement Facility is subject to Shareholder approval by way of a special resolution at an annual general meeting.

(ii) Equity Securities

Any Equity Securities under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

(iii) Formula for calculating 10% Placement Facility

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

**A** is the number of shares on issue 12 months before the date of issue or agreement:

(A) Plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;

(B) Plus the number of partly paid shares that became fully paid in the 12 months;

(C) Plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid ordinary shares under the entity's 15% placement capacity without shareholder approval;

(D) Less the number of fully paid shares cancelled in the 12 months.

Note that A has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

**D** is 10%

**E** is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

(iv) Listing Rule 7.1 and Listing Rule 7.1A

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this Notice, the Company has on issue 417,173,773 Shares and therefore has a capacity to issue:

- (A) 62,576,065 Equity Securities under Listing Rule 7.1; and
- (B) subject to the Shareholder approval being obtained under Resolution 3, 41,717,377 Equity Securities under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to section 4.3(iii) above).

(v) Minimum Issue Price

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the volume weighted average price (**VWAP**) of Equity Securities in the same class calculated over the 15 Trading Days immediately before:

- (A) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (B) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (A) above, the date on which the Equity Securities are issued.

(vi) 10% Placement Period

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- (A) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; or
- (B) the date of the approval by shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking)

**(10% Placement Period).**

(vii) Disclosure obligations upon issue of any Equity Securities

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.

(c) Description of Listing Rule 7.1A

The effect of Resolution 3 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under Listing Rule 7.1.

Resolution 3 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

(d) Specific information required by Listing Rule 7.3A

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

- (i) The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days immediately before:
  - (A) the date on which the price at which the Equity Securities are to be issued is agreed; or
  - (B) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (A) above, the date on which the Equity Securities are issued.
- (ii) If Resolution 3 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the below table. There is a risk that:
  - (A) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
  - (B) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of the consideration for the acquisition of a new asset,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The table below shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable 'A' calculated in accordance with the formula in Listing Rule 7.1A(2) as at the date of this Notice.

The table also shows:

- (i) two examples where variable 'A' has increased, by 50% and 100%. Variable 'A' is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro-rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- (ii) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

		Dilution			
		\$0.022 50% decrease in Issue Price	\$0.044 Issue Price	\$0.088 100% increase in Issue Price	
Variable 'A' in Listing Rule 7.1A.2	Current Variable A 417,173,773	10% Voting Dilution	41,717,377 Shares	41,717,377 Shares	41,717,377 Shares
		Funds raised	\$917,782	\$1,835,565	\$3,671,129
	50% increase in current Variable A 625,760,659	10% Voting Dilution	62,576,065 Shares	62,576,065 Shares	62,576,065 Shares
		Funds raised	\$1,376,673	\$2,753,347	\$5,506,694
	100% increase in current Variable A 834,347,546	10% Voting Dilution	83,434,754 Shares	83,434,754 Shares	83,434,754 Shares
		Funds raised	\$1,835,565	\$3,671,129	\$7,342,258

The table has been prepared on the following assumptions:

- (i) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
  - (ii) No Options (including any Options issued under the 10% Placement Facility) are exercised into Shares before the date of the issue of Equity Securities.
  - (iii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
  - (iv) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Meeting.
  - (v) The table shows only the effect of issue of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
  - (vi) The issue of Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes Options, it is assumed that those Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
  - (vii) The issue price is \$0.044, being the closing price of the Shares on the ASX on 10 October 2016.
- (iii) The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 3 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking).
  - (iv) The Company may seek to issue the Equity Securities for the following purposes:
    - (A) non-cash consideration for services, equipment, products or the acquisition of new resources and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
    - (B) cash consideration. In such circumstances, the Company intends to use the funds raised towards an acquisition of new assets or investments (including expenses associated with such acquisition), continued exploration and feasibility study expenditure on the Company's current assets and/or general working capital.
  - (v) The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- (A) the methods or raising funds that are available to the Company, including but not limited to, rights issues or other issues in which existing security holders can participate;
- (B) the effect of the issue of the Equity Securities on the control of the Company;
- (C) the financial situation and solvency of the Company; and
- (D) advice from corporate, financial and broking advisors (if available).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

If the Company is successful in acquiring new resources, assets or investments, it is possible that the allottees under the 10% Placement Facility may include vendors of the new resources, assets or investments.

- (vi) The Company previously obtained Shareholder approval under Listing Rule 7.1A. In the 12 months preceding the date of this Notice, the Company has not issued any equity securities under Listing Rule 7.1 and 7.1A.
  - (vii) During the 12 months prior to the date of this Notice, the Company has not issued any securities.
  - (viii) A voting exclusion statement is included in the Notice. At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class or existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in this Notice.
- (e) Directors' recommendations

The Directors believe that Resolution 3 is in the best interests of the Company and unanimously recommend to Shareholders that they vote in favour of Resolution 3.

#### 4.4 Resolution 4 – Employee Share Option Plan

Resolution 4 seeks Shareholder approval of the Employee Share Option Plan (**ESOP**) approved by Shareholders on 29 November 2013.

- (a) Listing Rule 7.1 and 7.2 (*Exception 9*)

Listing Rule 7.1 limits the number of equity securities which a listed Company may issue in any twelve month period without shareholder approval (subject to certain exceptions, for example a pro-rata issue to all shareholders). The limit is, generally, no more than 15% of the total number of equity securities on issue at the beginning of the twelve month period, plus the number of equity securities issued with the approval of shareholders or under one of the exceptions during the previous twelve months.

One of the exceptions to Listing Rule 7.1 is Listing Rule 7.2 (Exception 9), which provides that Listing Rule 7.1 does not apply to an issue under an employee incentive scheme if, within the three years before the date of issue, shareholders have approved the issue as an exception to Listing Rule 7.1.

Accordingly, ASX requires the ESOP to be renewed every three years for the purposes of Listing Rule 7.2 (Exception 9). The rules of the ESOP were last submitted to Shareholders for approval on 29 November 2013 and, by Resolution 4, are being presented to Shareholders to have that approval refreshed. During the period between 29 November 2013 and 18 November 2016 (being

the date of the Meeting) no Options have been, or will be, granted under the ESOP. Resolution 5 proposes that 16,000,000 Options be issued to the Company's Managing Director, Mr Steve Johnston, pursuant to the ESOP.

Following approval at the Meeting, the Company will then be required to seek further renewal of the ESOP on or before 18 November 2019, otherwise the ESOP will be deemed to have lapsed and no further Options could be granted under Listing Rule 7.2 (Exception 9).

(b) Summary of the terms of the ESOP

The following is a summary of the terms of the ESOP:

- (i) Under the ESOP the Directors may offer (**Offer**) to grant Options (**Employee Options**) to any Director or Senior Manager who is a full-time or part-time employee or officer of the Company and its controlled entities (**Group**) and includes a non-executive Director of any member of the Group and any other person determined by the Directors to be eligible for the purpose of the ESOP (**Eligible Person**).
- (ii) Following receipt of the Offer, an Eligible Person may apply for Employee Options up to the number specified in the Offer within 10 business days of the Offer. No consideration is payable by an Eligible Person to the Company in respect of the grant of any Employee Options.
- (iii) The exercise price payable on the exercise of any Employee Option (**Exercise Price**) shall be determined by the Board in its absolute discretion at the time of offering the Employee Options.
- (iv) The exercise period of each Employee Option (**Exercise Period**) shall be determined by the Board in its absolute discretion. However, unless specified otherwise, Employee Options will only be able to be exercised on or after the commencement of the Exercise Period, and will lapse on the earlier of:
  - (A) the date stated by the Board as the expiry date or fixed by a method of calculation prescribed in the Offer by the Board;
  - (B) 60 days after the date the participant ceases to be an Eligible Person for any reason other than death;
  - (C) the expiration of the bid period where a takeover bid (as defined in the Corporations Act) is made for the Company;
  - (D) 12 months after a participant ceases to be an Eligible Person by reason of death; and
  - (E) the liquidation of the Company.
- (v) The Employee Options will vest and become exercisable by a participant upon satisfaction of the vesting conditions set out in the Offer. The Board has absolute discretion to determine the procedures for administration of the ESOP consistent with the ESOP Rules including any vesting conditions.
- (vi) The Directors shall not offer or issue Employee Options under the ESOP if the total number of Shares the subject of Employee Options, when aggregated with:
  - (A) the number of shares in the same class which would be issued where each outstanding Offer or invitation or option to acquire unissued shares in the Company, being an offer or invitation made or Employee Option acquired pursuant to the ESOP or any other employee or executive share plan extended only to Eligible Persons, to be accepted or exercised (as the case may be); and

- (B) the number of shares in the same class issued during the previous five years pursuant to the ESOP or any other employee or executive share plan extended only to Eligible Persons,

but disregarding any offer for the issue of shares or Employee Options made to persons situated at the time of receipt of the Offer outside of Australia, an offer made under a disclosure document or an offer that did not need disclosure because of the section 708 of the Corporations Act, would exceed five per cent of the total number of issued Shares in the Company at the time of the proposed offer or issue.

- (vii) All Shares issued upon the exercise of Employee Options will, upon allotment, rank *pari passu* with all existing Shares in the capital of the Company. If the Shares are quoted the Company will apply for quotation by ASX of all Shares allotted pursuant to the exercise of Employee Options.
- (viii) An Employee Option may only be transferred by its holder if prior written approval is obtained from the Board.
- (ix) In the event of any reconstruction (including a consolidation, subdivision, reduction or return) of the issued share capital of the Company, then the number of Employee Options to which each holder of Employee Options is entitled or the exercise price of the Employee Options, or both, will be reconstructed in the manner required by the Listing Rules.
- (x) The holder of an Employee Option will only be permitted to participate in a pro-rata issue to the holders of Shares on the prior exercise of the Employee Option.
- (xi) If the Company makes a bonus issue, the number of Shares over which an Employee Option is exercisable will be increased by the number of Shares which the holder of the Employee Option would have received if the Employee Option had been exercised before the record date for the bonus issue.
- (xii) The ESOP may from time to time be amended, suspended or terminated at any time by the Board subject to any resolution of the Company required by the Listing Rules.
- (xiii) The rules of the ESOP shall be construed in accordance with the laws of Victoria and each holder of an Employee Option submits to the exclusive jurisdiction of the Courts of that State.
- (xiv) A full copy of the rules of the ESOP is available for no charge by contacting the Company Secretary and will be available on the Company's website [www.allianceresources.com.au](http://www.allianceresources.com.au).

- (c) Directors' recommendations

The Directors unanimously recommend to Shareholders that they vote in favour of Resolution 4.

#### **4.5 Resolution 5 - Grant of Options to Mr Steve Johnston**

- (a) Summary

Resolution 5 seeks Shareholder approval for the issue of 16,000,000 Options to Mr Steve Johnston pursuant to Listing Rule 10.14 and in accordance with the ESOP.

- (b) Key details of the Options

In summary:

- (i) the number of Options proposed to be issued to Mr Steve Johnston is 16,000,000;

- (ii) the Options will be issued no later than 12 months from the date of approval, and it is intended that they be issued shortly after approval (and in any event within one month after the approval from Shareholders is received); and
- (iii) the general terms and conditions of the Options are set out in the ESOP (the main terms of which are set out in Resolution 4).

(c) Details of the proposed issue

The Options have the following key terms:

Tranche	Number of Options*	Expiry date	Vesting date	Exercise price**
1	4,000,000	31 August 2019	On issue	5 cents
2	4,000,000	31 August 2020	1 September 2017	6 cents
3	4,000,000	31 August 2021	1 September 2018	7 cents
4	4,000,000	31 August 2022	1 September 2019	8 cents

\* If the Options are issued after the Consolidation Record Date (and Resolution 7 is passed), then only a total of 4,000,000 Options will be issued (as a result of the four for one Consolidation).

\*\* The exercise price of the Options will change if Resolutions 6 and/or 7 are passed. The following table sets out the exercise price of each tranche depending on whether Resolutions 6 and/or 7 are passed:

Tranche	Neither Resolutions 6 and 7 passed	Resolution 6 passed and Resolution 7 not passed	Resolution 7 passed and Resolution 6 not passed	Resolutions 6 and 7 passed
1	5 cents	3 cents	20 cents	12 cents
2	6 cents	4 cents	24 cents	16 cents
3	7 cents	5 cents	28 cents	20 cents
4	8 cents	6 cents	32 cents	24 cents

If the Options are not exercised by their expiry date they will lapse.

If all the Options proposed to be issued are duly exercised, the issue of Shares will be equal to approximately 3.69% of the Company's fully-diluted share capital, based on the number of Shares on issue as at the date of the Notice.

(d) Valuation

The total indicative value of all Options to be issued to the Managing Director is \$252,000. This valuation was provided by DMR Corporate Pty Ltd (ACN 063 564 045) on 5 October 2016.

Using the theoretical binomial model and based on the assumptions set out below, the Options ascribed the following value:

Assumptions	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Market price of Shares (30 day VWAP)	\$0.044	\$0.044	\$0.044	\$0.044
Number of options	4,000,000	4,000,000	4,000,000	4,000,000
Exercise price	\$0.05	\$0.06	\$0.07	\$0.08
Vesting Date*	On issue	1 September 2017	1 September 2018	1 September 2019
Expiry date*	31 August 2019	31 August 2020	31 August 2021	31 August 2022
Risk free interest rate	1.550%	1.600%	1.635%	1.720%
Volatility	62%	62%	62%	62%
<b>Value per option</b>	<b>\$0.015</b>	<b>\$0.015</b>	<b>\$0.016</b>	<b>\$0.017</b>
<b>Value of tranche</b>	<b>\$60,000</b>	<b>\$60,000</b>	<b>\$64,000</b>	<b>\$68,000</b>

\* In accordance with the ESOP, the Options are subject to vesting and exercise conditions such as Mr Johnston remaining an Eligible Person (as defined in Section 4.4(b)(i)).

(e) Corporations Act - treatment of remuneration matters

Under Chapter 2E of the Corporations Act, a public company cannot give a 'financial benefit' to a 'related party' such as a director unless an exception applies or shareholders have approved the giving of that financial benefit to the related party.

The Corporations Act provides an exception where the financial benefit is reasonable given the circumstances of the Company and the related party's circumstances (including the responsibilities involved in the office or employment).

The Company considers the proposed issue of the Options is reasonable remuneration:

- (i) for a company of the size and nature of the Company; and
- (ii) which, given that the Company has other preferred uses for its available cash, is an appropriate alternative for providing incentives to the Managing Director.

The Managing Director is currently entitled to receive cash remuneration of \$265,000 per annum (paid monthly) plus statutory superannuation. The issue of Options with a valuation of \$252,000 is intended to supplement his remuneration and to provide an incentive aligned with those of Shareholders.

(f) Intended purpose

The purpose of the grant of the Options to the Managing Director is for the Company to appropriately incentivise and provide cost effective remuneration to the Managing Director for his ongoing commitment and contribution to the Company. The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Options upon the terms proposed. If the Options are not granted, the Company could remunerate the Managing Director for additional amounts of cash. The Board considers that cash preservation is crucial in exploration and development companies.

The potential disadvantages of the Shareholders approving the issue of Options to Directors include dilution of Shareholder interests if the Options are exercised at some future time.

(g) Directors' recommendations

The Directors (other than Mr Johnston) recommend to Shareholders that they vote in favour of Resolution 5.

#### 4.6 Resolution 6 - Return of Capital

(a) Background

The Company intends to distribute \$0.02 per Share (approximately \$8,343,475) in cash to Shareholders by way of an equal capital reduction (**Proposed Capital Return**). Subject to Shareholder approval being obtained, the record date for determining entitlements to receive the Proposed Capital Return is 23 November 2016 (**Capital Return Record Date**).

Following conclusion on 18 September 2015 of the Sale of its interest in the Four Mile Uranium Project for \$73.95 million, the Company distributed \$0.12 per Share (approximately \$50.6 million) on 28 October 2015 in cash to Shareholders by way of an equal capital reduction (**First Capital Return**). The balance of the sale funds were retained to ensure there were sufficient funds to meet a potential tax liability, which could not be determined until 30 June 2016, and for possible new project acquisitions and working capital.

As the potential tax liability has not eventuated, the Company will hold cash of approximately \$19.3 million subsequent to the anticipated investment/purchase costs regarding the Tyranna / Wilcherry Project. A significant portion of this amount is considered surplus to the Company's current requirements to maintain its remaining exploration operations. The Company therefore considers that a return of some of this capital to Shareholders is justified in these circumstances, in the form of an equal capital reduction.

The Company has applied to the Australian Taxation Office (**ATO**) for a Class Ruling seeking confirmation of the tax treatment for Australian resident Shareholders of the Proposed Capital Return who hold their Shares in the Company on capital account. The Class Ruling is expected to be issued shortly after the Meeting if the Shareholders resolve to approve the Proposed Capital Return. The Company anticipates that the Class Ruling for the Proposed Capital Return should result in the same tax consequences as outlined in the Class Ruling for the First Capital Return.

(b) Timetable

The Company currently proposes the following timetable for the Proposed Capital Return in accordance with the Corporations Act and the Listing Rules:

<b>Event</b>	<b>Date - 2016</b>
The Company announced the Proposed Capital Return	16 September
The Company dispatches the Notice	17 October
Meeting held and approval of Proposed Capital Return	18 November
Trading in Shares on an 'ex capital return basis'	22 November
Capital Return Record Date for Proposed Capital Return	23 November
Proposed payment date of Proposed Capital Return	30 November

This timetable is indicative only and may be subject to change.

(c) Reasons for the Proposed Capital Return

The purpose of the Proposed Capital Return is to return to Shareholders approximately one third of the Company's current cash reserves (which include proceeds resulting from the sale of the Four Mile Uranium Project, and the payments to Tyranna Resources Limited under the joint venture arrangements), while leaving sufficient cash to pursue exploration efforts on the Wilcherry Project in SA and other projects located in NSW and WA.

(d) Calculation of the amount of the Proposed Capital Return

The Proposed Capital Return will be \$0.02 per Share which equates to \$8,343,475 in aggregate, assuming 417,173,773 Shares are on issue on the Capital Return Record Date.

(e) Optionholders

As at the date of this Notice there are no Options on issue. Resolution 5 seeks Shareholder approval for the issue of Options to Mr Steve Johnston. It is anticipated that these Options may be issued prior to the Capital Return Record Date.

If the Options are issued prior to the Capital Return Record Date, the holder of the Options will only be entitled to participate in the Proposed Capital Return if the vested Options are exercised and the Shares are issued prior to the Capital Return Record Date.

Section 4.5(c) also sets out the impact on the number of Options to be issued depending on the timing of their issue, and the impact on the exercise price if Resolutions 6 and/or 7 are passed.

(f) Requirements for the Proposed Capital Return

(i) Corporations Act

For the purposes of section 256B(2) of the Corporations Act, the Proposed Capital Return the subject of this Resolution 6 is an "equal capital reduction" because:

- (A) it relates only to ordinary shares in the Company;
- (B) It applies to each holder of ordinary shares in the Company in proportion to the number of ordinary shares they hold in the Company; and
- (C) its terms are the same for each holder of ordinary shares in the Company.

Under section 256B(1) of the Corporations Act, a company may reduce its capital provided three requirements described below are satisfied:

- (D) the capital reduction must be fair and reasonable to the company's shareholders as a whole;
- (E) the capital reduction must not materially prejudice the company's ability to pay its creditors; and
- (F) the capital reduction must be approved by ordinary resolution of shareholders under section 256C of the Corporations Act.

(ii) Directors' opinion

Resolution 6 seeks Shareholder approval of the Proposed Capital Return, for the purposes of section 256C of the Corporations Act.

The Directors are of the opinion that the Proposed Capital Return is "fair" and "reasonable" to all Shareholders as it will apply to all Shareholders on the Capital Return Record Date equally, in proportion to the number of Shares which they hold at the Capital Return Record Date.

The Directors are also of the opinion that the Proposed Capital Return will not materially prejudice the Company's ability to pay its creditors after having reviewed and considered the financial position of the Company, including the Company's assets, liabilities, cashflow and capital requirements. In particular, the Company will have sufficient cash resources to pay its creditors after the Proposed Capital Return.

(iii) Advantages

The primary advantage in approving the Proposed Capital Return is that it will enable the Company to repatriate capital to its Shareholders, which is in excess of its current requirements. Also, as there are no transaction costs, Shareholders participating in the Proposed Capital Return will be able to do so without incurring any costs.

(iv) Disadvantages

A disadvantage of the Proposed Capital Return is that following its implementation the Company will have a reduced capital base from which to operate. However, the Directors are of the opinion that the capital base is currently in excess of the Company's requirements. Also, the post-Proposed Capital Return net cash reserves of approximately \$11 million will be sufficient to pursue exploration opportunities in the resource sector. If required, further funds can be raised by share issues, debt financing or quasi debt financing.

- (g) Effect of the Proposed Capital Return
- (i) Effect on financial position and performance

**Cash reserves**

The Proposed Capital Return will be paid entirely from the Company's existing cash reserves. The effect of the Proposed Capital Return is that the Company's cash reserves will be reduced by the amount of capital (cash) returned (paid) to Shareholders (approximately \$8,343,475, assuming 417,173,773 Shares are on issue on the Capital Return Record Date), while at the same time the paid up capital will decrease by the corresponding amount. The Company will have sufficient cash reserves to pay its creditors after the Proposed Capital Return.

**Pro-Forma Financial Performance**

Should the Proposed Capital Return be approved by Shareholders, Alliance will be left with approximately \$11 million cash for its business operations and its material assets will consist of exploration assets, investments in other listed entities and cash.

**Pro-Forma Balance Sheet**

Implementation of the Proposed Capital Return will have a material impact on the assets and liabilities of the Company. Set out below is the pro-forma balance sheet of Alliance as at 30 June 2016 assuming completion of the Proposed Capital Return and that no Options are exercised prior to the Capital Return Record Date:

<b>\$000</b>	<b>30-Jun-16 \$000</b>	<b>Impact of Proposed Capital Return \$000</b>	<b>Proforma (after Proposed Capital Return) \$000</b>
<b>Current Assets</b>			
Cash	24.687	(8.343)	16.344
Accounts Receivable	43	-	43
<b>Total Current Assets</b>	<b>24.730</b>	<b>(8.343)</b>	<b>16.387</b>
<b>Non-Current Assets</b>			
Financial Assets at Fair Value through other Comprehensive Income	189	-	189
Property, Plant and Equipment	29	-	29
Exploration and Evaluation	69	-	69
<b>Total Non-Current Assets</b>	<b>287</b>	<b>-</b>	<b>287</b>
<b>Current Liabilities</b>			
Accounts Payable	111	-	111
Employee Benefits	28	-	28
<b>Total Current Liabilities</b>	<b>139</b>	<b>-</b>	<b>139</b>
<b>Non-Current Liabilities</b>			
Employee Benefits	82	-	82
<b>Total Non-Current Liabilities</b>	<b>82</b>	<b>-</b>	<b>82</b>
<b>Net Assets</b>	<b>24.796</b>	<b>(8.343)</b>	<b>16.453</b>

(ii) Effect on capital structure

For the purposes of Listing Rule 7.20, the Company provides the following information to Shareholders regarding the effect of the Proposed Capital Return on its securities.

The Company has 417,173,773 Shares on issue as at the date of this Notice.

The Company's Share capital will be reduced by \$0.02 per Share (total of approximately \$8,343,475) which at the date of this Notice will be a reduction from approximately \$57 million to approximately \$49 million.

No Shares will be cancelled and the number of Shares held by Shareholders will not change as a result of the Proposed Capital Return. No fractional entitlements will arise from the Proposed Capital Return. All Shares issued by the Company are fully paid.

(iii) Effect on Share price

The Company's Shares are expected to trade at a lower price after the Proposed Capital Return is made than their trading price immediately prior to the "ex" date for the Proposed Capital Return.

(h) Indicative income tax consequences for Shareholders

(i) Introduction

The following summary of the potential tax consequences of the Proposed Capital Return applies to Shareholders who are residents of Australia for tax purposes. Non-resident Shareholders should obtain their own tax advice about the implications of the Proposed Capital Return for their Australian tax obligations and the tax implications in their country of residence.

The Company is seeking a Class Ruling from the ATO in relation to the tax treatment of the Proposed Capital Return for the Australian resident Shareholders who acquired and hold their Shares as capital assets. Once the Class Ruling has been issued by the ATO, a Shareholder may rely on that Class Ruling when preparing their income tax return.

The Company anticipates that the Class Ruling for the Proposed Capital Return should result in the same tax consequences as outlined in the Class Ruling for the First Capital Return.

These comments are general in nature and all Shareholders should seek their own taxation advice from their accountant or tax agent which addresses the taxation consequences of the Proposed Capital Return. Neither the Company nor any officers of the Company nor the Company's advisers accept any liability or responsibility with respect to the tax consequences of the Proposed Capital Return for Shareholders.

(ii) Taxation of Australian resident Shareholders

This section summarises the Australian income and capital gains tax implications of the Proposed Capital Return for Australian resident Shareholders who hold their Shares on capital account.

This summary does not consider the income tax implications of the Proposed Capital Return for:

(A) Shareholders who are not Australian tax residents; or

(B) Shareholders who are Australian tax residents that hold their Shares in the Company on revenue account.

This summary is not intended to be comprehensive and is based on the Company's understanding of the Australian income tax legislation in force at the date of the Notice. The taxation laws are complex and Shareholders need to obtain professional advice in relation to the application of the tax laws to the Proposed Capital Return in their individual circumstances. Neither the Company nor any of its officers, employees or advisers assumes any liability or responsibility for advising Shareholders about the tax consequences for them of the Proposed Capital Return.

### ***Capital Return***

Receipt of the Proposed Capital Return will give rise to a capital gains tax (**CGT**) event for Shareholders. The tax consequences arising on receipt of the Proposed Capital Return will depend on the Shareholder's cost base of their Shares. A Shareholder's cost base will generally be the acquisition cost of the Shares, plus any cost incurred incidental to acquiring the Shares (such as brokerage fees).

A Shareholder will make a capital gain to the extent that the Proposed Capital Return exceeds the cost base of their Shares. Shareholders may be eligible for a CGT discount (of 50% for individuals and trusts and 33% for superannuation funds) in respect of any capital gain made provided the Shares were acquired at least 12 months before the Proposed Capital Return. Companies are not eligible for the CGT discount.

Where the Proposed Capital Return does not exceed the cost base of their Shares, a Shareholder's cost base and reduced cost base of their Shares will be reduced by the amount of the Proposed Capital Return. Shareholders will not make a capital gain in this case.

### ***Application of section 45A, 45B and 45C of the Income Tax Assessment Act 1936 (ITAA 1936)***

Sections 45A and 45B of the ITAA 1936 are two anti-avoidance provisions in the tax law that, if either applies, allow the Commissioner to make a determination that section 45C applies. The effect of such a determination is that all or part of the Proposed Capital Return paid to the Shareholder would be treated as an unfranked dividend that is paid by the Company.

The Company considers that there is no reasonable basis upon which the Commissioner of Taxation could seek to deem the Proposed Capital Return to be an unfranked dividend. The Company has applied to the ATO for a Class Ruling seeking confirmation of the tax treatment for Australian resident Shareholders of the Proposed Capital Return who hold their Shares on capital account, which will include consideration of whether the ATO will make a determination to deem all or part of the Proposed Capital Return to be an unfranked dividend.

The Class Ruling is expected to be issued shortly after the Meeting if the Shareholders resolve to approve the Proposed Capital Return.

(i) Other information

(i) Directors' interests

No Director will receive a payment or benefit of any kind as a result of the Proposed Capital Return, other than as Shareholders of the Company.

The interests of each Director and / or their associate(s) in Shares and Options as at the date of this Notice is set out below:

Director	Shares	Options
Mr Steve Johnston	5,647,113	0*
Mr Ian Gandel	119,829,750	0
Mr Tony Lethlean	1,950,001	0

\* Resolution 5 seeks approval for the issue of 16,000,000 Options to Mr Johnston.

(ii) No other material information

Other than as set out in this Notice and information previously disclosed to Shareholders, there is no information known to Directors which might reasonably be expected to be material to the making of a decision by Shareholders whether or not to vote in favour of Resolution 6.

(j) Proposed Capital Return – Payment Methods

Shareholders with a registered address in Australia or New Zealand will receive the Proposed Capital Return payment by direct credit in Australian Dollars or New Zealand Dollars to their nominated financial institution account.

If financial institution account details are not provided, payment of the Proposed Capital Return will be withheld until such time the Shareholder provides the relevant details. Other overseas Shareholders will receive the Proposed Capital Return payment by Australian Dollar cheque.

Financial institution account details must be received by Computershare by 5.00pm (AEDT) on the Capital Return Record Date, 23 November 2016.

Australian and New Zealand shareholders should provide their financial institution account details either:

- Online – Log into Computershare’s Investor Centre website at [www.investorcentre.com](http://www.investorcentre.com); or
- Post to: Computershare, GPO Box 242, Melbourne Victoria 3001; or
- Fax to Computershare on: (within Australia) 1800 783 447 or (outside Australia) +61 3 9473 2555

Computershare is able to answer any questions in relation to the payment process on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia).

(k) No interdependency with other Resolutions

For the avoidance of doubt, if Resolution 6 (Return of Capital) is passed by shareholders at the Meeting, the Proposed Capital Return will be undertaken regardless of whether Resolution 7 (Shares Consolidation) is passed by Shareholders.

(l) Directors' Recommendation

The Directors unanimously recommend to Shareholders that they vote in favour of Resolution 6.

#### 4.7 Resolution 7 – Consolidation of Shares

(a) Summary

The Company proposes to consolidate its share capital through the conversion of every four ordinary shares in the Company into one ordinary share in the Company.

(b) Overview of regulatory approval requirements

Under section 254H of the Corporations Act, a company may consolidate its shares if the consolidation is approved by an ordinary resolution of shareholders at a general meeting.

(c) Reasons for the Consolidation

The Company currently has 417,173,773 Shares on issue.

For a company of this size, this is a large number of securities to have on issue and it subjects the Company to a number of disadvantages, including:

- (i) that the Company has a far greater number of Shares on issue than comparable companies, meaning that its share price is lower for reasons other than valuation;
- (ii) negative perceptions associated with a low share price; and
- (iii) administrative inconvenience.

The Directors believe that the Consolidation of the Shares would assist in eliminating or mitigating these disadvantages and would establish a share price more appropriate for a listed entity of its size.

The Consolidation will not result in any change to the substantive rights and obligations of Shareholders. The Company's balance sheet and tax position will also remain unaltered as a result of the Consolidation.

(d) Effect of the Consolidation

If approved, the Consolidation will take effect from 5 December 2016.

The Consolidation will result in the issued capital of the Company being consolidated on the basis of one Share for every four Shares on issue. Any fractional entitlements as a result of holdings not being evenly divisible by four will be rounded up to the nearest whole number.

For example, if you currently hold 4,000 Shares, following the Consolidation you will hold 1,000 Shares.

The pro-forma capital structure of the Company on completion of the Consolidation (based on the number of Shares on issue at the date of this Explanatory Statement) is as follows:

	<b>Shares</b>	<b>Options</b>
Pre-Consolidation	417,173,773	16,000,000*
Post-Consolidation	104,293,443 (approximately)	4,000,000*

\* Assumes that Resolution 5 (Grant of Options to Mr Steve Johnston) is passed and the Options are issued prior to the Consolidation Record Date.

If the Options are issued prior to the Capital Return Record Date:

- (i) and are exercised prior to the Consolidation Record Date, then the number of Shares in the above table will increase, and the number of Options will decrease; and
- (ii) the holder of the Options will only be entitled to participate in the Proposed Capital Return if the Options are exercised and the Shares are issued prior to the Capital Return Record Date.

Section 4.5(c) also sets out the impact on the number of Options to be issued depending on the timing of their issue, and the impact on the exercise price if Resolutions 6 and/or 7 are passed.

Shareholders should note that the Consolidation, if approved, will have an effect on the Company's share price.

(e) Holding Statements

From the date of Consolidation, all existing holding statements for Shares will cease to have any effect, except as evidence of entitlement to a certain number of Shares, on a post-Consolidation basis.

After the Consolidation becomes effective, the Company will arrange for new holding statements to be issued to Shareholders. It is the responsibility of each Shareholder to check the number of Shares held prior to Consolidation and post-Consolidation.

(f) Taxation implications

Shareholders are advised to seek their own tax advice on the effect of the Consolidation and neither the Company nor the Directors (or the Company's advisers) accept any responsibility for the individual taxation implications arising from the Consolidation.

The Consolidation will be undertaken in accordance with section 254H of the Corporations Act. Subject only to rounding, there will be no change to the proportionate interests held by each Shareholder as a result of the Consolidation.

A capital gains tax (**CGT**) event will not occur as a result of the Consolidation and therefore there will be no taxation implications arising for Shareholders.

(g) Timetable for Consolidation

If approved by Shareholders, it is proposed that the Consolidation occur after the Capital Return Record Date, and the following timetable will apply to the Consolidation:

Detail	Date - 2016
The Company announces the Consolidation and dispatches the Notice	17 October
Meeting held and approval of Consolidation	18 November
Last day of trading in pre-Consolidation securities	30 November
Trading in Consolidated Shares will commence on a deferred settlement basis	1 December
Last day for the Company to register transfers on a pre-Consolidated basis	2 December
First day for the Company to register securities on a Consolidated basis, and to issue holdings statements for Shares on a Consolidated basis	5 December
Last day for securities to be entered into the holders' security holdings, and for the Company to send new holding statements on a Consolidated basis Deferred settlement trading ends	9 December
Normal T+2 trading in Consolidated Shares start on ASX	12 December
Settlement of trades conducted on a deferred settlement basis and first settlement of trades conducted on the normal T+2 basis	14 December

The above dates are indicative only and, subject to the Listing Rules, are subject to change without notice.

(h) No interdependency with other Resolutions

For the avoidance of doubt, if Resolution 7 (Share Consolidation) is passed by Shareholders, the Consolidation will be undertaken regardless of whether Resolution 6 (Return of Capital) is passed by Shareholders.

(i) Directors' recommendations and interests

The Directors unanimously recommend to Shareholders that they vote in favour of Resolution 7.

Refer to section 4.6(i)(i) above for details of the Shares in which each Director holds an interest as at the date of this Notice.

## **5. OTHER INFORMATION**

### **5.1 Foreign jurisdictions**

This Explanatory Statement has been prepared to comply with Australian law and has only been made available to Shareholders.

This Explanatory Statement should not be distributed to anyone other than Shareholders, other than by any Shareholder in receipt of this Explanatory Statement who holds Shares on behalf of a beneficial owner, to that beneficial owner, provided that either that beneficial owner is resident in Australia, or sending this Explanatory Statement to that beneficial owner does not constitute a breach of foreign securities laws.

Failure to comply with such restrictions may find you in violation of applicable securities laws. The distribution of this Explanatory Statement outside Australia may be restricted by law. If you come into possession of this Explanatory Statement, you should observe any such restrictions.

This Explanatory Statement has been prepared having regard to Australian disclosure requirements. These disclosure requirements may be different from those in other countries.

### **5.2 ASIC and ASX involvement**

A copy of the Notice, including this Explanatory Statement has been lodged with ASIC and ASX, and neither ASIC, ASX nor any of their respective officers takes any responsibility for the contents of these documents.

### **5.3 Not investment advice**

The information provided in this Explanatory Statement is not financial product advice and has been prepared without taking into account your investment objectives, financial circumstances or particular needs. Accordingly, nothing in this Explanatory Statement should be construed as a recommendation by the Company, or any associates of the Company, or any other person concerning an investment in the Company.

If you are in doubt as to the course of action you should follow, you should seek advice on the matters contained in this Explanatory Statement from a solicitor, stockbroker, accountant or other professional financial adviser immediately.

### **5.4 No other representation**

No person is authorised to give any information or make any representation in connection with the transactions described in this Explanatory Statement, which is not contained in this Explanatory Statement. Any information or representation not contained in this Explanatory Statement may not be relied on as having been authorised by the Company.

## 5.5 Other information

Other than any information already released to ASX by the Company, there is no further information as at the date of this Explanatory Statement known to the Board that is material to the decision of Shareholders on how to vote on the Resolutions that is not set out in this Explanatory Statement.

If any Shareholder is in doubt as to how to vote on the Resolutions or how the Resolutions may affect Shareholders, the Shareholder should seek advice from their solicitor, stockbroker, accountant or other professional financial adviser immediately.

Certain information in this Explanatory Statement is subject to change. If that information is not materially adverse to Shareholders, it will be updated and made available to you on the Company's website <http://www.allianceresources.com.au> or a paper copy of any updated information will be provided to you (free of charge) by calling the Company's share registrar, Computershare Investor Services Pty Limited on 1300 850 505 (within Australia) or on +61 3 9415 4000 (outside Australia) at any time from 8.30am to 5.00pm (Melbourne time) Monday to Friday. If there is a materially adverse change to the information or a materially adverse omission from this Explanatory Statement, the Company will issue a new or supplementary Explanatory Statement.

## 6. DEFINITIONS

In this Notice and the Explanatory Statement:

**\$** means Australian dollars.

**10% Placement Facility** has the meaning given in section 4.3(a).

**10% Placement Period** has the meaning given in section 4.3(b)(vi).

**AEDT** means Australian Eastern Daylight Time.

**Annual Report** means the Directors' Report, the Financial Report and the Auditor's Report in respect to the financial year ended 30 June 2016.

**ASX** means ASX Limited ACN 008 624 691.

**ATO** means the Australian Taxation Office.

**Auditor's Report** means the auditor's report on the Financial Report.

**Board** means the board of Directors.

**Capital Return Record Date** means 23 November 2016.

**Class Ruling** means a class ruling issued by the ATO in relation to the tax implications for the Company and Shareholders resulting from the Proposed Capital Return.

**Company** or **Alliance** means Alliance Resources Limited ACN 063 293 336.

**Consolidation** means the consolidation of the Company's share capital through the consolidation of every four ordinary shares in the Company into one ordinary share in the Company (as proposed under Resolution 7).

**Consolidation Record Date** means 2 December 2016.

**Constitution** means the constitution of the Company as at the commencement of the Meeting.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Director** means a director of the Company.

**Directors' Report** means the annual directors' report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities.

**Equity Securities** has the same meaning as in the Listing Rules.

**ESOP** means Employee Share Option Plan.

**Explanatory Statement** means the Explanatory Statement attached to the Notice.

**Financial Report** means the annual financial report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities.

**First Capital Return** has the meaning given in section 4.6(a).

**Listing Rules** means the listing rules of ASX.

**Meeting** means the annual general meeting of Shareholders to be held as set out in the Notice.

**Notice** means this notice of Meeting.

**Option** means an option to acquire a Share.

**Proposed Capital Return** means the distribution of \$0.02 per Share (approximately \$8,343,475 in aggregate assuming 417,173,773 Shares on issue as at the Capital Return Record Date) in cash to Shareholders by way of an equal capital reduction as proposed under Resolution 6.

**Remuneration Report** means the remuneration report of the Company contained in the Directors' Report.

**Resolution** means a resolution proposed to be considered and, if thought fit, to be passed at the Meeting.

**Section** means a section of the Explanatory Statement.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a holder of Shares.

**Trading Days** means a day determined by ASX to be a trading day in accordance with the Listing Rules.

**VWAP** means the volume weighted average price.

In this Notice and the Explanatory Statement words importing the singular include the plural and vice versa.

## 7. **QUERIES**

If you have any queries about the Meeting, the Resolutions to be put to the Meeting or the proposals being considered, please contact:

Company Secretary  
Mr Robert Tolliday  
(03) 9697 9090  
[bobt@allianceresources.com.au](mailto:bobt@allianceresources.com.au)



AGS  
MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

**Lodge your vote:**

 **Online:**  
www.investorvote.com.au

 **By Mail:**  
Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia

Alternatively you can fax your form to  
(within Australia) 1800 783 447  
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only  
(custodians) www.intermediaryonline.com

**For all enquiries call:**  
(within Australia) 1300 850 505  
(outside Australia) +61 3 9415 4000

**Proxy Form**

**XX**



**Vote and view the annual report online**

- Go to [www.investorvote.com.au](http://www.investorvote.com.au) or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.



**Your access information that you will need to vote:**

**Control Number: 999999**

**SRN/HIN: I9999999999      PIN: 99999**

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

 **For your vote to be effective it must be received by 10.00am (AEDT) Wednesday, 16 November 2016**

**How to Vote on Items of Business**

All your securities will be voted in accordance with your directions.

**Appointment of Proxy**

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

**Signing Instructions for Postal Forms**

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

**Attending the Meeting**

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the help tab, "Printable Forms".

**Comments & Questions:** If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,  
or turn over to complete the form** ➔

MR SAM SAMPLE  
 FLAT 123  
 123 SAMPLE STREET  
 THE SAMPLE HILL  
 SAMPLE ESTATE  
 SAMPLEVILLE VIC 3030

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

# Proxy Form

Please mark  to indicate your directions

## STEP 1 Appoint a Proxy to Vote on Your Behalf

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I/We being a member/s of Alliance Resources Limited hereby appoint

the Chairman of the Meeting OR

**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Alliance Resources Limited to be held at HWL Ebsworth Lawyers, Level 26, 530 Collins St, Melbourne, Victoria on Friday, 18 November 2016 at 10.00am (AEDT) and at any adjournment or postponement of that Meeting.

**Chairman authorised to exercise undirected proxies on remuneration related resolutions:** Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolutions 1, 4 and 5 (except where I/we have indicated a different voting intention below) even though Resolutions 1, 4 and 5 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

**Important Note:** If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolutions 1, 4 and 5 by marking the appropriate box in step 2 below.

## STEP 2 Items of Business

**PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Ian Gandel as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approval of 10% Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Employee Share Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Grant of Options to Mr Steve Johnston	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Return of Capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Consolidation of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

## SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date / /