



18 March 2019

Dear Optionholder

Alliance Resources Limited (ASX:AGS) - Non-renounceable rights issue to raise up to approximately \$4.95 million

On 18 March 2019, Alliance Resources Limited ACN 063 293 336 (ASX:AGS) (**Company**) announced that it would be offering shareholders the opportunity to participate in a non-renounceable pro-rata entitlement offer to raise up to approximately \$4.95 million (before costs) (**Entitlement Offer**), on the basis of one fully paid ordinary share in the capital of the Company (**New Share**) for every two fully paid ordinary shares held at 7.00pm (AEDT) on the record date of 21 March 2019 (**Record Date**), at an issue price of \$0.095 per New Share.

The Entitlement Offer is partially underwritten to \$4 million by Patersons Securities Limited (**Underwriter**).

Only shareholders with a registered address in Australia and New Zealand will be eligible to participate in the Entitlement Offer (**Eligible Shareholders**).

Assuming no options are exercised before the Record Date, up to approximately 52.1 million New Shares will be issued under the Entitlement Offer. If all of the 6.2 million existing options are exercised before the Record Date, up to approximately 55.2 million New Shares will be issued under the Entitlement Offer.

As a non-renounceable offer, rights are not tradeable on the ASX or otherwise transferable. New Shares will rank equally with the Company's existing shares.

The Entitlement Offer will be made by way of an offer document pursuant to section 708AA of the *Corporations Act 2001* (Cth) meaning that no prospectus needs to be prepared (**Offer Document**). The Offer Document will be available on the Company's website at <http://www.allianceresources.com.au> and on the ASX website at www.asx.com.au on 18 March 2019.

There is no obligation for you to exercise your options. This letter is intended to inform you of your rights in relation to your options and the Entitlement Offer. If you do not wish to participate in the Entitlement Offer, you do not need to take any action.

Purpose of Entitlement Offer

Successful completion of the Entitlement Offer will raise up to approximately \$4.95 million (before costs). Funds raised through the Entitlement Offer will be applied to drilling, metallurgical test work, feasibility study, Offer costs and working capital.

Indicative Timetable

The timetable for the Entitlement Offer is as follows:

	Event	Date
1.	Notice of Entitlement Offer sent to option-holders	Monday, 18 March
2.	Lodgment of Offer Document with ASX	Monday, 18 March
3.	Notice of Entitlement Offer set to Eligible Shareholders and Ineligible Shareholders	Tuesday, 19 March
4.	Ex Date	Wednesday, 20 March
5.	Record Date	Thursday, 21 March
6.	Offer Document and entitlement and acceptance form dispatched to Eligible Shareholders	Tuesday, 26 March
7.	Entitlement Offer Opening Date	Tuesday, 26 March
8.	Entitlement Offer Closing Date	Tuesday, 9 April
9.	New Shares quoted on a deferred settlement basis	Wednesday, 10 April
10.	Notification of shortfall	Friday, 12 April
11.	Allotment and issue of New Shares	Tuesday, 16 April

The above timetable is indicative only and all dates may be subject to change. The Company's directors reserve the right to extend the Closing Date for the Entitlement Offer at their discretion.

Capital structure

The share capital structure of the Company on completion of the Entitlement Offer will be as follows:

	Where partially underwritten only	Where fully subscribed
Shares currently on issue	104,293,923	104,293,923
Shares issued under the Entitlement Offer (approximate)	42,105,263	52,146,962
Total Shares on completion of the Entitlement Offer (approximate)	146,399,186	156,440,885



Offer Document

Details of the Entitlement Offer will be contained in the Offer Document. Eligible Shareholders should consider the Offer Document carefully before deciding whether to participate in the Entitlement Offer and consult with their professional advisors if they have any queries.

Optionholders

The purpose of this letter is to give you notice, as an option holder of the Company, that if you wish to participate in the Entitlement Offer in relation to the shares underlying your options, you must exercise your options before the Record Date.

Notice of exercise of your options and payment of the exercise price of the options must be received by the Company on or before 20 March 2019. Any notice of exercise of options received after this date cannot be assured of the allotment of shares by the Record Date. If you require an option exercise form, please contact the Company Secretary, Robert Tolliday, on +61 3 9697 9090.

Yours faithfully

Stephen Johnston
Managing Director
Alliance Resources Limited