



ABN 38 063 293 336

FIRST SUPPLEMENTARY TARGET'S STATEMENT

in response to the off-market takeover bid made by
Gandel Metals Pty Ltd
to acquire all of your shares in Alliance Resources Limited

The Offer is **\$0.18** cash
for every Alliance Share you hold.

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to its contents, you should promptly consult your legal, financial or other professional adviser immediately.



Legal advisor to Alliance Resources Limited

INTRODUCTION

First Supplementary Target's Statement

This document is the first supplementary target's statement dated 20 May 2022 (**First Supplementary Target's Statement**) to the target's statement dated 4 May 2022 (**Original Target's Statement**) issued by Alliance Resources Limited ACN 063 293 336 (ASX code: AGS) (**Alliance**) in response to the Offer made by Gandel Metals Pty Ltd ACN 102 347 955 (**Gandel Metals**) under its off-market takeover bid contained in its Bidder's Statement dated 4 April 2022 and Supplementary Bidder's Statement dated 14 April 2022.

This First Supplementary Target's Statement is given pursuant to Division 4 of Part 6.5 of the Corporations Act in compliance with the requirements of section 644.

This First Supplementary Target's Statement supplements and is to be read together with the Original Target's Statement. This document prevails in the event of any inconsistency with the Original Target's Statement.

Important notices

A copy of this First Supplementary Target's Statement was lodged with the Australian Securities and Investments Commission (**ASIC**) on 20 May 2022. Neither ASIC nor its officers take any responsibility for the contents of this First Supplementary Target's Statement.

Defined terms and interpretation

Unless the context otherwise requires, capitalised terms in this First Supplementary Target's Statement have the same meaning given to them in Section 8.1 of the Original Target's Statement. The rules of interpretation set out in Section 8.2 of the Original Target's Statement apply to this First Supplementary Target's Statement, unless the context otherwise requires.

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KEY DATES

Announcement of Offer	4 April 2022
Date of Bidder's Statement	4 April 2022
Date of Supplementary Bidder's Statement	14 April 2022
Offer Period commences	20 April 2022
Date of Target's Statement	4 May 2022
Date of First Supplementary Target's Statement	20 May 2022
Scheduled Close of Offer Period (unless withdrawn or extended)	7pm (AEST) on 6 June 2022

MANAGING DIRECTOR'S LETTER

Dear Alliance Shareholder,

The Independent Expert has concluded that the Offer is **fair and reasonable**.

The recommendations made by the Independent Directors in the Original Target's Statement and this First Supplementary Target's Statement are those of Kevin Malaxos and Anthony Lethlean. For the avoidance of doubt, Ian Gandel is not an Independent Director and any recommendations made by the Independent Directors does not include a recommendation by Ian Gandel. This is a result of Ian Gandel's position as a director of both Alliance and Gandel Metals.

Your Independent Directors both recommend that in the absence of a superior proposal you ACCEPT the Offer for all of your Alliance Shares.

Your Independent Directors have made this recommendation after a thorough consideration of the advantages and disadvantages of the Offer.

The possible advantages of the Offer include:

- the premium offered for Alliance Shares above the independent valuation in the Independent Expert's Report; and
- the opportunity for Shareholders to sell thinly traded shares in a company with a dominant or controlling shareholder.

The possible disadvantages of the Offer include:

- the uncertainty as to whether Gandel Metals will acquire a Relevant Interest in at least 90% of all Alliance Shares and if the conditions to the Offer will be satisfied or waived before the end of the Offer Period (at the time the Offer is accepted by the Shareholder);
- the loss of the Shareholder's ability to deal in its Alliance Shares after the Offer is accepted; and
- a delay in realising the value of the Shareholder's investment if the Offer is not accepted but nonetheless proceeds to the compulsory acquisition stage (Noting Gandel Metals has stated that it intends to proceed with compulsory acquisition (if the thresholds are satisfied) and delist Alliance from the ASX Official List.

The Independent Directors also make further observations in Section 1 which may be relevant to any shareholders who have an atypical risk appetite or a long investment horizon.

You are encouraged to read this First Supplementary Target's Statement and the Original Target's Statement in full as it sets out your Independent Directors' formal response to the Bidder's Statement and Supplementary Bidder's Statement, their recommendation and other important information to enable you to consider the Offer having regard to your personal circumstances. We also encourage you to seek your own independent financial, legal and taxation advice prior to deciding whether to accept the Offer.

If you have any questions regarding this First Supplementary Target's Statement, please contact Alliance on +613 9697 9090.

Yours faithfully



Kevin Malaxos
Managing Director

Independent Directors' recommendation and reasons

Your Independent Directors both recommend that, in the absence of a superior proposal you ACCEPT the Offer for all of your Alliance Shares.

The Independent Directors recommended that you accept the Offer in light of the independent valuation of Alliance Shares and the disadvantages of holding relatively illiquid shares in a company with a dominant or controlling shareholder.

The Independent Directors do, however, make the following observations which may be relevant to any shareholders who have an atypical risk appetite or a long investment horizon.

Advantages of the Offer

Net present value of Alliance Shares

The Independent Expert has valued an Alliance Share at between \$0.048 and \$0.063. The Offer price is \$0.18. In the absence of a superior proposal, the Independent Directors recommend the offer should be accepted by shareholders who wish to realise a premium to the pre-Offer market price.

Liquidity

Alliance Shares are thinly traded on the ASX and may become even more so if Gandel Metals increases its holding to a greater controlling position. The Independent Directors are concerned that small shareholders take the opportunity to avoid being minority shareholders in a company with a dominant or controlling shareholder, possibly even one that is delisted from the ASX.

Uncertain future

The Independent Directors are confident that there is significant exploration upside potential at the Weednanna gold and iron deposit, but it requires Alliance to raise further capital. In addition, significant capital will be required by Alliance should the decision be made to develop the Weednanna gold and iron project. Current valuation methodologies, including those used for ASX reporting, mean that the upside value is not sufficiently certain for quantification. Therefore, any potential future upside value will not be available to any shareholders who accept the Offer, but equally those shareholders accepting the Offer would not be subject to a request to contribute further capital or face dilution.

Exploration undertaken by Alliance on the Weednanna project and announced on the ASX during the past 3 years has not grown the resource tonnage or contained gold. Exploration results have increased confidence in the published gold resource and ore shoots that contribute to the global resource but failed to increase the global gold resource tonnes and grade. Therefore, there is no guarantee that future exploration will increase the Weednanna total resource.

Disadvantages of the Offer

For completeness, the following may be disadvantages of the Offer for some or all Alliance Shareholders, regardless of the merits of the Offer. Each shareholder needs to weigh up the extent to which each of the following is relevant to their overall assessment of the net benefit or

detriment in their circumstances. Each possible disadvantage does not necessarily imply or suggest a particular course of action for a shareholder.

Uncertainty of success of the Offer

At the time of acceptance, you may not know if Gandel Metals will acquire a Relevant Interest in at least 90% of all Alliance Shares and if the conditions to the Offer will be satisfied or waived before the end of the Offer Period.

Loss of ability to deal in Alliance Shares

You may lose your ability to deal in your Alliance Shares after you accept the Offer.

Delay in realising value

You will have a delay in realising the value of your investment if you do not accept the Offer but compulsory acquisition occurs.

Any Alliance Shareholder considering retaining their Alliance Shares should also be aware that Gandel Metals has stated that its present intention is that, if it becomes entitled to do so under the Corporations Act, it will proceed with the compulsory acquisition of any outstanding Alliance Shares and seek to delist Alliance from the ASX.

In considering whether to accept or reject the Offer, the Independent Directors encourage you to:

- read the whole of this First Supplementary Target's Statement, the Original Target's Statement, the Bidder's Statement and Supplementary Bidder's Statement;
- assess the risks of holding shares in a company controlled by a majority shareholder, with a potentially illiquid market for its shares and reduced potential for price appreciation due to an illiquid market;
- have regard to your individual risk-reward profile, portfolio strategy, tax position and financial circumstances; and
- obtain financial advice from your broker or financial adviser regarding the Offer and obtain taxation advice on the effects of accepting the Offer.

7. Additional Information

Other material information

The Independent Directors have assumed, for the purposes of preparing the Original Target's Statement, that the information in the Bidder's Statement and Supplementary Bidder's Statement is accurate (unless they have expressly indicated otherwise in the Original Target's Statement). In deciding what information should be included in the Original Target's Statement, the Independent Directors have had regard to the:

- (a) nature of the Alliance Shares;
- (b) matters that Alliance Shareholders may reasonably be expected to know; and
- (c) fact that certain matters may reasonably be expected to be known to Alliance Shareholders' professional advisers.

7.3 Alliance Directors' interests and dealings in Alliance Shares

No Independent Director holds shares in Alliance.

Mr Kevin Malaxos holds Employee Options in Alliance which will become immediately exercisable where a takeover bid within the meaning of the Corporations Act is made for Alliance and the Bidder becomes entitled to become the registered holder of at least 90% of the Alliance Shares on issue during the bid period. Mr Malaxos intends to exercise his Options (which may be some or all of his Options) and sell on-market (subject to any restrictions under the Alliance securities trading policy) or accept the Offer for the Alliance Shares that he is issued on exercise.

Any Options that are not exercised by the Closing Date will lapse in accordance with rule 10(a)(iii) of the Alliance employee share option plan rules.

Further developments

Should there be any developments during the Offer Period which would alter the Independent Directors' recommendations in relation to the Offer, you will be notified through an ASX announcement and/or a further supplementary target's statement.

Consents

HWL Ebsworth Lawyers has given its consent to being named in this First Supplementary Target's Statement as legal adviser to Alliance and has not withdrawn that consent before the lodging of this First Supplementary Target's Statement with ASIC.

Each person named in this section as having given its consent to the inclusion of a statement or being named in this First Supplementary Target's Statement:

- (a) does not make, or purport to make, any statement in this First Supplementary Target's Statement or any statement on which a statement in this First Supplementary Target's Statement is based other than as specified in this section; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this First Supplementary Target's Statement, other than a reference to its

name and a statement included in this First Supplementary Target's Statement with the consent of that party as specified in this section; and

- (c) has not caused or authorised the issue of this First Supplementary Target's Statement.

As permitted by ASIC Class Order 13/521, this First Supplementary Target's Statement contains statements which are made, or based on statements made, in documents lodged by Gandel Metals with ASIC or given to ASX or announced on ASX by Gandel Metals. Under the Class Order, the consent of Gandel Metals is not required for the inclusion of such statements in this First Supplementary Target's Statement. Any Alliance Shareholder who would like to receive a copy of any of those documents may obtain a copy (free of charge and within 2 Business Days of the request being made) during the Offer Period by contacting Alliance on +61 3 9697 9090 between 9am and 5pm AEST Monday to Friday.

Copies of announcements by Alliance may also be obtained from Alliance's website www.allianceresources.com.au.

In addition, as permitted by *ASIC Corporations (Consents to Statements) Instrument 2016/72*, this First Supplementary Target's Statement may include or be accompanied by certain statements:

- (a) fairly representing a statement by an official person; or
(b) from a public official document or published book, journal or comparable publication,

where the statement was not made or published in connection with the Offer, Gandel Metals or Alliance or any business property or person the subject of the Bidder's Statement, the Supplementary Bidder's Statement, Original Target's Statement or this First Supplementary Target's Statement. In those circumstances, the consent of the persons to whom those statements are attributed is not required for such statements to be included in this First Supplementary Target's Statement.

Approval

This First Supplementary Target's Statement has been approved by a resolution of the Independent Directors passed on 20 May 2022.

This First Supplementary Target's Statement is dated 20 May 2022.

Signed for and on behalf of Alliance Resources Limited:



Kevin Malaxos
Managing Director