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ASX Announcement

28 June 2022

Receipt of Non-Binding Indicative Offer from ALS Limited

HRL Holdings Limited (ASX: HRL) advises that on 30 May 2022, it received an unsolicited, non-binding indicative offer (**NBIO**) from ALS Limited (**ALS**) to acquire 100 per cent of the ordinary shares of HRL for A\$0.16 cash per share (**ALS Proposal**).

The discussions between the parties in relation to the NBIO are preliminary and incomplete and no agreement has been reached in relation to any transaction. There is no guarantee that any agreement will be reached or that a transaction will eventuate.

To ensure an informed market, HRL sets out the key terms of the current indicative offer below.

Entry into Process Deed

In response to the NBIO, HRL entered into a Process Deed on 7 June 2022 under which ALS is being provided with the opportunity to undertake due diligence and negotiate transaction documentation on an exclusive basis to 20 July 2022.

HRL has agreed to certain due diligence, exclusivity, notification and break fee provisions during this period, which are extracted in Annexure A of this announcement.

Next steps

The ALS Proposal is subject to various conditions, including completion of due diligence and entering into mutually acceptable transaction documentation.

There is no certainty that HRL's discussions with ALS will result in an acceptable proposal.

The HRL Board advises shareholders to take no action in relation to the proposal. HRL will continue to keep shareholders informed of developments.

HRL has appointed McCullough Robertson as legal adviser.

This announcement has been approved by the Company Chairman.

For further information, please contact:

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CEO

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Annexure A – Extract of due diligence, exclusivity and break fee provisions

Confirmatory due diligence

- 2.1 The parties acknowledge that HRL has agreed to permit ALS to conduct confirmatory due diligence enquiries in relation to the HRL Group for the purposes of determining whether to proceed with the Proposal (**Confirmatory Due Diligence**).

Conduct of due diligence

- 2.3 ALS must conduct the Confirmatory Due Diligence as expeditiously as practicable, and in any event, before the end of the Implementation Period.

No shop

- 4.2 During the Implementation Period, HRL must not, and must ensure that none of its Related Bodies Corporate and none of their Representatives:
- (a) solicit or invite enquiries, discussions or proposals in relation to, or which may reasonably be expected to lead to, a Competing Proposal; or
 - (b) communicate to any person an intention to do any of the things referred to in clause 4.2(a).

No talk

- 4.3 Subject to clause 4.12, during the Implementation Period, HRL must not, and must ensure that none of its Related Bodies Corporate and none of their Representatives:
- (a) directly or indirectly participate in or continue any discussions or negotiations;
 - (b) provide or make available any information (including by way of providing information and access to perform due diligence);
 - (c) enter into any agreement, arrangement or understanding; or
 - (d) communicate any intention to do any of those things,

in relation to, or which may reasonably be expected to lead to, a Competing Proposal.

No due diligence

- 4.4 During the Implementation Period, HRL must not, and must ensure that none of its Related Bodies Corporate and none of their Representatives:
- (a) solicit, invite, initiate, or encourage, or (subject to clause 4.12) facilitate or permit, any person (other than ALS) to undertake due diligence investigations in respect of HRL, its Related Bodies Corporate, or any of their businesses and operations, in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Proposal; or
 - (b) subject to clause 4.12, make available to any person (other than ALS) or permit any such person to receive any non-public information relating to HRL, its Related Bodies Corporate, or any of their businesses and operations, in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Proposal.

Notification of approaches

- 4.5 During the Implementation Period, HRL must within two Business Days notify ALS in writing of:

- (a) any approach, inquiry or proposal made by any person to HRL, any of its Related Bodies Corporate or any of their Representatives, to initiate any discussions or negotiations that concern, or that could reasonably be expected to lead to, a Competing Proposal; and
- (b) any request made by any person to HRL, any of its Related Bodies Corporate, or any of their Representatives, for any information relating to HRL, its Related Bodies Corporate, or any of their businesses and operations, in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Proposal.

4.6 Subject to clause 4.12, a notice given under clause 4.5 must be accompanied by all material details of the relevant event, including (as the case may be):

- (a) the identity of the person who made the relevant approach, inquiry or proposal to initiate discussions or negotiations referred to in clause 4.5(a), or who made the relevant request for information referred to in clause 4.5(b); and
- (b) the material terms and conditions (including price, conditions precedent, timetable and break fee (if any)) of any Competing Proposal or any proposed Competing Proposal (to the extent known).

4.7 During the Implementation Period, HRL must promptly provide ALS with:

- (a) in the case of written materials, a copy of; or
- (b) in any other case, a written statement of,

any material non-public information relating to HRL, its Related Bodies Corporate, or any of their businesses and operations made available or received by any person in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Proposal and which has not previously been provided to ALS.

HRL's response to Rival Acquirer and ALS's right to respond

4.8 If HRL is permitted by virtue of clause 4.12 to engage in activity that would otherwise breach any of clauses 4.3, 4.4(a), 4.4(b) and 4.6, HRL must enter into a confidentiality agreement with the person who has made the applicable Competing Proposal (**Rival Acquirer**) on customary terms and must not enter into any other agreement to implement a Competing Proposal or a potential Competing Proposal except as permitted by clause 4.9.

4.9 If HRL receives a Competing Proposal and as a result, any HRL Board Member determines that the Competing Proposal is a Superior Proposal (whether or not subject to entry into any agreement to implement the Competing Proposal or a potential Competing Proposal), HRL must ensure that no further action is taken in respect of the Competing Proposal:

- (a) unless the Competing Proposal is bona fide; and
- (b) until each of the following has occurred:
 - (i) the relevant HRL Board Member has made the determination contemplated by clause 4.12(a) in respect of that Competing Proposal;
 - (ii) HRL has given ALS written notice (**Relevant Notice**) of the HRL Board Member's proposal to take the action referred to in clause 4.9 (subject to ALS's rights under clause 4.11);
 - (iii) HRL has given ALS all information that would be required by clause 4.6;
 - (iv) ALS's rights under clause 4.11 have been exhausted; and
 - (v) the HRL Board has made the determination contemplated by clause 4.12(a) in respect of that Competing Proposal after ALS's rights under clause 4.11 have been exhausted and after evaluation of any Counter Proposal.



- 4.10 Prior to giving ALS the information under clause 4.9(b)(iii), HRL must advise the Rival Acquirer that the Rival Acquirer's name and other details which may identify the Rival Acquirer will be provided by HRL to ALS.
- 4.11 If HRL gives a Relevant Notice to ALS under clause 4.9(b)(ii), ALS will have the right, but not the obligation, at any time during the period of three Business Days following the receipt of the Relevant Notice, to amend the terms of the Proposal (**Counter Proposal**), and if it does so then HRL must procure that its directors promptly review the Counter Proposal. If the HRL Board determines that the Counter Proposal would be more favourable to HRL Shareholders than the Competing Proposal, then HRL and ALS must use their best endeavours to agree the amendments to this deed that are reasonably necessary to reflect the Counter Proposal and to enter into an amended agreement to give effect to those amendments and to implement the Counter Proposal. For the purposes of this clause 4, each successive material modification of any third party expression of interest, offer or proposal in relation to a Competing Proposal will constitute a new Competing Proposal.

Fiduciary exception

- 4.12 HRL and its Related Bodies Corporate and their respective Representatives may on and from the Implementation Period Commencement Date undertake any action that would otherwise be prohibited by clauses 4.3, 4.4(a), 4.4(b) or 4.6 in relation to a potential or proposed bona fide Competing Proposal which was not solicited by it and was not otherwise brought about as a result of any breach by it of its obligations under this clause 4, where:
- (a) the HRL Board, acting in good faith, determines that not undertaking that act would be likely to involve a breach of the fiduciary or statutory duties owed by any HRL Board Member; or
 - (b) it would otherwise be unlawful.

Further exception

- 4.13 Nothing in this deed prevents HRL from continuing to make normal presentations to, and to respond to enquiries from, brokers, portfolio investors and analysts in the ordinary course in relation to its business generally.

Break fee

Trigger

- 5.3 Subject to the terms of this deed, HRL agrees to pay to ALS the Break Fee if at any time before the execution of the implementation agreement:
- (a) any HRL Board Member has indicated an intention not to recommend the Proposal to HRL Shareholders, or to withdraw or adversely modify his or her recommendation, as a result of a Superior Proposal;
 - (b) a Competing Proposal is announced and, within 9 months of the Competing Proposal being announced, the Competing Proposal results in a person or persons (other than ALS) obtaining control of HRL, voting power of more than 50% of the HRL Shares, merging or amalgamating with HRL or acquiring (directly or indirectly) an interest in all or a substantial part of the business or assets of the HRL Group; or
 - (c) any breach of this deed by HRL.
- 5.4 The payment of the Break Fee by HRL to ALS provided for in this clause 5 must be made within 10 Business Days of receipt of a written demand for payment by ALS. The demand may only be made after the occurrence of an event referred to in clause 5.3.



Qualifications

5.5 No Break Fee is payable if:

- (a) [REDACTED], the subject of the Proposal, becomes effective; or
- (b) HRL terminates discussions with ALS due to ALS breaching its obligations under this deed or the Confidentiality Agreement and:
 - (i) the breach is not capable of remedy; or
 - (ii) if the breach is capable of remedy, ALS fails to remedy such breach within 24 hours after HRL has requested ALS to rectify such breach.

5.6 The Break Fee is only payable once and the only amount payable by HRL under clause 5.4 is the amount of the Break Fee.

Key Definitions

Break Fee means an amount equal to all third-party due diligence costs and expenses actually incurred by ALS during the Implementation Period (but excluding any costs and expenses incurred after HRL notifies ALS of an approach from a third party pursuant to clause 4.5) substantiated by ALS to HRL's satisfaction (acting reasonably), and in any such case must not exceed \$800,000 (being approximately 1% of the value of the consideration offered under the Proposal).

Competing Proposal means any proposal, agreement, arrangement or transaction, which, if entered into or completed, would result in a Third Party (either alone or together with any one or more of its associates):

- (a) directly or indirectly acquiring a relevant interest in, or having a right to acquire a legal, beneficial or economic interest in, or control of, more than 20% of HRL Shares;
- (b) acquiring control (for the purposes of section 50AA of the Corporations Act) of HRL;
- (c) directly or indirectly acquiring or becoming the holder of, or otherwise acquiring or having a right to acquire a legal, beneficial or economic interest in, or control of, all or a substantial part of the Business; or
- (d) otherwise directly or indirectly acquiring, merging or amalgamating with HRL,

whether by way of takeover offer, scheme of arrangement, shareholder approved acquisition, capital reduction or buy-back, sale or purchase of shares or assets, joint venture, dual-listed company structure (or other synthetic merger), or other transaction or arrangement.

HRL Board means the board of directors of HRL, and a **HRL Board Member** means any director of HRL comprising part of the HRL Board.

HRL Group means HRL and each of its Related Bodies Corporate.

HRL Share means a fully paid ordinary share in HRL.

HRL Shareholder means each person who is registered as the holder of a HRL Share from time to time.

Implementation Period means the period commencing on [7 June 2022] and ending on the date which is three weeks after the Implementation Period Commencement Date (subject to any extension agreed in writing between ALS and HRL).



Implementation Period Commencement Date means the date on which HRL confirms in writing to ALS that the Virtual Data Room contains all of the due diligence materials described in the [NBIO, being 27 June 2022].

Proposal means the terms of a conditional, non-binding, indicative and incomplete proposal pursuant to which ALS would acquire all of the HRL Shares.

Related Body Corporate has the meaning given to that term in the Corporations Act, and **Related Bodies Corporate** has a corresponding meaning.

Representative means, in respect of a party, each director, officer, employee, advisor, agent or representative of that party and its Related Bodies Corporate.

Superior Proposal means a Competing Proposal which the HRL Board, acting in good faith, determines:

- (a) is reasonably capable of being valued and completed in a timely fashion taking into account all aspects of the Competing Proposal, including any timing considerations and conditions precedent, and the identity of the proponent; and
- (b) would, if completed substantially in accordance with its terms, be more favourable to HRL Shareholders (as a whole) than the Proposal taking into account all terms and conditions of the Competing Proposal (including consideration, conditionality, funding, certainty and timing).

Third Party means any person other than ALS or any of its Related Bodies Corporate.