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ASX Announcement

15 July 2022

Target's Statement - ALS Limited Offer

HRL Holdings Limited (ASX: HRL) has today lodged its Target's Statement with the Australian Securities and Investments Commission and the Australian Securities Exchange in response to the on-market takeover offer (the Offer) from ALS Limited (ASX: ALQ) (ALS) (through its wholly owned subsidiary Australian Laboratory Services Pty. Ltd. (ACN 009 936 029), to acquire all the ordinary shares in HRL.

A copy of the Target's Statement is attached to this announcement.

The Target's Statement has also been given to ALS today and is in the process of being dispatched to HRL shareholders in accordance with the Corporations Act.

The Bidder's Statement for the Offer was released to the ASX on 1 July 2022. Dispatch of the Bidder's Statement to HRL shareholders has been completed, and the Offer is open for acceptance.

The Board of HRL unanimously recommends that all HRL shareholders ACCEPT the Offer, subject to no superior proposal being received, and they have or will ACCEPT the Offer in relation to the HRL shares that they respectively hold or control. In considering the Board of HRL's recommendation, HRL shareholders should review the comprehensive information provided in the Bidder's Statement and in the Target's Statement lodged today.

All company announcements and information on the Offer are available on the HRL website at www.hrlholdings.com. Shareholders can also receive further information on the Offer by calling the Offer Information line on 1800 336 109 (within Australia) or +61 1800 336 109 (outside Australia) at any time between 8:30am and 5.30pm (AEST) on Monday to Friday.

This announcement has been authorised for release by the Board of HRL Holdings Limited

Paul Marshall
Company Secretary

About HRL Holdings Limited

HRL provides sampling, laboratory testing, and data management services across Australia and New Zealand.

About ALS Limited

ALS is a global Testing, Inspection & Certification business. The company's strategy is to broaden its exposure into new sectors and geographies where it can take a leadership position.

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TARGET'S STATEMENT

**HRL'S DIRECTORS UNANIMOUSLY
RECOMMEND THAT YOU**

ACCEPT

**THE OFFER IN THE ABSENCE OF A
SUPERIOR PROPOSAL***

**BY AUSTRALIAN LABORATORY SERVICES PTY. LTD.
ACN 009 936 029**

(A WHOLLY-OWNED SUBSIDIARY OF ALS LIMITED ACN 009 657 489)

to acquire all of your shares in

HRL HOLDINGS LTD ACN 120 896 371

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION

**If you are in any doubt as to how to deal with this document, you should consult
your legal, financial or other professional adviser as soon as possible**

*** NO INDEPENDENT EXPERT WAS ENGAGED BY HRL TO REPORT ON THE OFFER**

Lawyers | **McCullough
Robertson**

LEGAL ADVISER
McCullough Robertson Lawyers

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Important notices

This document is a Target's Statement issued by HRL Holdings Ltd ACN 120 896 371 (**HRL**) under part 6.5 division 3 of the Corporations Act in response to the Bidder's Statement issued by Australian Laboratory Services Pty. Ltd. ACN 009 936 029 (**ALSPL**), a wholly-owned subsidiary of ALS Limited ACN 009 657 489 (**ALS**). Unless the context indicates otherwise, references to ALS in this Target's Statement are a reference to ALSPL and ALS together. This Target's Statement is dated 15 July 2022.

This Target's Statement and the Bidder's Statement contain important information. You should read both documents carefully and in their entirety.

ASIC and ASX

A copy of this Target's Statement was lodged with ASIC and sent to ASX on 15 July 2022. None of ASIC, ASX nor any of their officers take any responsibility for the content of this Target's Statement.

Investment decision

This Target's Statement does not take into consideration your individual investment objectives, financial situation or particular needs. You may wish to seek independent financial and tax advice before deciding whether or not to accept the Offer by ALSPL to acquire all of your HRL Shares.

Shareholder information

If you have any questions about the Offer, please call the HRL Shareholder information line on 1800 336 109 (within Australia) or +61 1800 336 109 (outside Australia) on weekdays between 8.30am and 5.30pm (Sydney time), or visit our website at www.hrlholdings.com.

The Directors are committed to ensuring Shareholders are kept informed of developments. Important developments under the control of HRL will be notified directly to Shareholders.

Forward looking statements

This Target's Statement may contain certain forward looking statements and statements of current intention. The forward looking statements in this Target's Statement reflect views held at the date of this Target's Statement.

You should be aware that these statements involve inherent risks and uncertainties. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and those deviations are both normal and to be expected.

None of HRL, its officers or any person named in this Target's Statement with their consent or involved in the preparation of this Target's Statement makes any representation or warranty, as to the accuracy or likelihood of fulfilment of any forward looking statement. You should not place undue reliance on those statements.

Defined terms

A number of defined terms are used in this Target's Statement. These terms are explained in the definitions in section 12. All references to \$ refer to Australian dollars, except where otherwise stated.

Privacy statement

HRL has collected your information from the register of Shareholders. The Corporations Act permits that information be made available to certain persons, including ALS. Your information may also be disclosed on a confidential basis to HRL's related bodies corporate and external service providers and may be required to be disclosed to regulatory parties such as ASIC. You can contact us for details of information held by us about you.

Notice to foreign shareholders

The distribution of this Target's Statement may in some countries be restricted by law or regulation. Accordingly, persons who come into possession of this Target's Statement should inform themselves of and observe those restrictions. This Target's Statement does not constitute an offer in any jurisdiction in which, or to any person to whom, it would be unlawful to make such an offer.

Further information

If you have any questions, please call the HRL Shareholder information line on 1800 336 109 (within Australia) or +61 1800 336 109 (outside Australia) on weekdays between 8.30am and 5.30pm (Sydney time), or visit HRL's website at www.hrlholdings.com.

Letter from the Chairman

15 July 2022

Dear Shareholder

Accept the Offer

On 1 July 2022, Australian Laboratory Services Pty. Ltd. (**ALSPL**) announced an off-market takeover bid for all the Shares in HRL Holdings Ltd (**HRL**) that it does not already own (**Offer**).

Under the Offer, HRL Shareholders are being offered \$0.16 cash for each HRL Share.¹ You should have recently received a copy of the Bidder's Statement from ALSPL setting out the terms of the Offer.

There are certain advantages associated with the Offer, however there are also certain disadvantages. Your Directors have considered these various factors in making their recommendation and, on balance, have decided that the advantages outweigh the disadvantages and therefore **unanimously recommend that you accept the Offer in the absence of a Superior Proposal**.

The Directors have decided to not engage an independent expert to provide a report on the Offer. The Directors consider that HRL Shareholders are able to decide whether or not to accept the Offer based on the merits of the Offer as presented in the Bidder's Statement and this Target's Statement.

Your Directors have already accepted or intend to accept the Offer in respect of the HRL Shares held or controlled by them, in the absence of a Superior Proposal.

HRL has seen strong organic growth in revenue over the last four years in line with the Strategic Plan developed in 2018. Developing scale in what is a very competitive market sector was also a crucial part of that plan. To achieve the required scale, the plan envisaged a number of strategic acquisitions. Despite the best efforts of our executives no acquisitions have come to fruition during the financial year ended 30 June 2022; primarily due to market uncertainty due to COVID and high valuations in the sector. We do not see a change in sector valuations in the next 12 months.

Whilst the markets for our services are beginning to settle to a new normal, those markets remain fiercely competitive. It is the view of the Board that in the short-medium term, smaller companies such as HRL will likely be disadvantaged by:

- supply chain issues;
- inflation putting pressure on underlying costs;
- lack of scale in the environmental sector; and
- difficulties in talent recruitment.

¹ \$0.16 cash for each HRL Share (less the amount or value of any Rights attaching to the HRL Shares which arise or are paid on or after the date of the Bidder's Statement and which the Bidder does not receive), subject to any improvement permitted by the Corporations Act.

Our major competitors are able to better capitalise on economies of scale by placing orders of a magnitude larger than HRL and their size and geographical diversification better equips them to deal with these challenges.

The Board believes the ALS Offer Price provides certainty and good value for HRL shareholders in the current environment. Importantly for the many talented staff in HRL, ALS provides the opportunity for greater employment security; especially in New Zealand where ALS has a relatively small presence. The ALS systems, standards and broad market position should significantly enhance the growth opportunities for existing HRL operations and create enhanced career opportunities for staff.

The Offer Price represents:

- 95.1% over the undisturbed closing share price on Monday, 27 June 2022 (being the trading day prior to the media announcement that ALS was in exclusive negotiations with HRL);
- 85.8% over the undisturbed 30-day volume weighted average price (VWAP) up to and including 27 June 2022;
- 84.2% over the undisturbed 90-day VWAP up to and including 27 June 2022; and
- 43.8% over the undisturbed 2-year VWAP up to and including 27 June 2022.

This Target's Statement sets out your Directors' response to the Offer and contains their recommendation, reasons for that recommendation and other important information you should consider when deciding whether to accept the Offer. If you are in doubt as to whether to accept the Offer, you should seek your own independent professional advice.

If you have any questions about the Offer, please call the HRL Shareholder information line on 1800 336 109 (within Australia) or +61 1800 336 109 (outside Australia) on weekdays between 8.30am and 5.30pm (Sydney time).

Yours sincerely



Greg Kilmister
Chairman

What should you do

You should read the Bidder's Statement and this Target's Statement, which contains your Directors' recommendation to unanimously accept the Offer in the absence of a Superior Proposal, and their reasons for this recommendation.

As an HRL Shareholder, you have the following choices in respect of the Offer:

- (a) **you may ACCEPT the Offer**, in which case you should complete the acceptance form in the Bidder's Statement and return it in accordance with the instructions in the Bidder's Statement;
- (b) **you may choose to REJECT the Offer**, in which case you do not need to take any action; or
- (c) **you may sell your HRL Shares on market**, unless you have previously accepted the Offer and you have not validly withdrawn your acceptance.

If you have any questions, please call the HRL Shareholder information line on 1800 336 109 (within Australia) or +61 1800 336 109 (outside Australia) on weekdays between 8.30am and 5.30pm (Sydney time).

Key dates

Announcement Date	28 June 2022
Bidder's Statement lodged with ASIC	1 July 2022
Date of Offer	6 July 2022
Date of Target's Statement	15 July 2022
Close of Offer Period (unless extended or withdrawn)	17 August 2022

Reasons why you should accept the Offer

(a) **The Offer is unanimously recommended by the HRL Directors in the absence of a Superior Proposal**

The HRL Directors unanimously recommend that HRL Shareholders accept the Offer, in the absence of a Superior Proposal. In addition, each HRL Director has already accepted or intends to accept, or procure the acceptance of, the Offer in respect of all HRL Shares in which they have a Relevant Interest, in the absence of a Superior Proposal. In making this recommendation, the HRL Directors have considered the advantages and disadvantages of the Offer as well as all the other information contained in, and matters referred to in, this Target's Statement.

(b) **The Offer Price represents a significant premium to HRL's historical trading price**

As set out in the Letter from the Chairman of the HRL Board at the front of this Target's Statement, the Offer Price represents a significant premium to HRL's undisturbed share price prior to the Announcement Date, which closed at \$0.082 per HRL Share on the last trading day prior to the Announcement Date.

(c) **The Offer is an unconditional offer and provides certain and immediate value in the form of cash consideration for your HRL Shares**

The Offer provides certainty of value, with all consideration in cash.

In the absence of a Superior Proposal, if you accept the Offer, you will be paid \$0.16 cash for each HRL Share you hold (less the amount or value of any Rights attaching to the HRL Shares which arise or are paid on or after the date of the Bidder's Statement and which the Bidder does not receive), subject to any improvement permitted by the Corporations Act.

At the same time as providing certain value for your investment, by accepting the Offer you will eliminate any exposure to the risks inherent in continuing to hold HRL Shares, including risks associated with HRL's business and general industry and market risks. Please refer to section 7.

(d) **No Superior Proposal has emerged as at the date of this Target's Statement**

As at the date of this Target's Statement, HRL has not received a Superior Proposal from a third party. In light of ALS' Relevant Interest in approximately 77.15% of HRL Shares (as at close of trading on 14 July 2022), the HRL Board considers that it is unlikely that a Superior Proposal will be forthcoming before the end of the Offer Period.

If HRL receives a Competing Proposal to the Offer, the HRL Directors will need to take certain steps in respect of that Competing Proposal, including, in certain circumstances, providing ALSPL with the opportunity to submit a matching proposal or Superior Proposal within three business days.

(e) **Risks of remaining an HRL Shareholder and minority ownership consequences**

There are a number of risks associated with remaining an HRL Shareholder. Section 7 of this Target's Statement sets out the key risks which may affect the future operating and financial performance of HRL and the value of HRL Shares.

ALSPL holds a majority shareholding in HRL of 77.15% of HRL Shares (as at 14 July 2022). Accordingly, HRL Shareholders who do not accept the Offer will be minority shareholders in HRL. This has a number of possible implications, some of which are set out in section 2.10 of this Target's Statement.

(f) **Trading price of HRL Shares absent the Offer (and if no Superior Proposal emerges)**

While there are many factors that influence the price and value of HRL Shares, the HRL Directors anticipate that, following the close of the Offer, it may be unlikely that HRL Shares will carry any potential premium for control, and the market price of HRL Shares may fall if ALSPL's Offer fails (and if no Superior Proposal emerges), or if ALSPL acquires less than 90% of the HRL Shares.

Reasons why you may not wish to accept the Offer

(a) **You may disagree with the HRL Directors' unanimous recommendation**

You may hold a different view from, and are not obliged to follow the unanimous recommendation of, the HRL Directors who are recommending that HRL Shareholders accept the Offer, in the absence of a Superior Proposal.

(b) **You may wish to remain invested in HRL**

If you accept the Offer, you will no longer be an HRL Shareholder and will forgo any direct benefits that may result from being an HRL Shareholder. In particular, you will no longer be able to directly participate in HRL's future financial performance.

You may prefer to keep your HRL Shares to preserve your direct investment in a listed company with the specific characteristics of HRL. In particular, you may believe that HRL Shares will be worth more than the Offer Price in the future.

The HRL Board has evaluated the risks and benefits of HRL continuing as a standalone business against the Offer Price and the other terms of the Offer. In deciding to recommend that HRL Shareholders accept the Offer in the absence of a superior proposal, the HRL Board believes that, on balance, the value and certainty provided by the Offer provides greater benefit to HRL Shareholders than retaining their HRL Shares.

(c) **You may consider that there is potential for a Superior Proposal to emerge**

As at the date of this Target's Statement, HRL has not received a Superior Proposal from a third party. However, it is possible that a Superior Proposal for HRL Shareholders could materialise in the future, such as another takeover bid or scheme of arrangement, which would deliver total consideration for HRL Shareholders in excess of the Offer Price.

In light of ALS' Relevant Interest in approximately 77.15% of HRL Shares (as at close of trading on 14 July 2022), the HRL Board considers that it is unlikely that a Superior Proposal will be forthcoming before the end of the Offer Period.

(d) **The tax consequences of transferring your HRL Shares pursuant to the Offer may not be attractive to you**

The tax consequences of the Offer will depend on your personal situation. You may consider that the tax consequences of the Offer are not attractive to you.

A general guide to the taxation implications of the Offer is contained in section 8 of the Bidder's Statement. However, HRL Shareholders should consult with their own independent taxation advisers regarding the taxation implications of the Offer.

(e) **You may wish to sell your HRL Shares on market**

You may wish to realise your investment in HRL through sale of your HRL Shares on the ASX.

If you sell your HRL Shares on market, you:

- will lose the ability to accept the Offer or any other offer which may eventuate;
- will not be entitled to receive any increased consideration if ALSPL subsequently increases the consideration under the Offer;
- may incur brokerage; and
- may not obtain sufficient buyers to complete a trade above the implied value of the Offer Price (including because HRL Shares may be affected by reduced liquidity).

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Frequently asked questions about the Offer

The process governing takeovers is complex. This section of the Target's Statement is designed to help you understand some of the issues relating to the Offer.

Question	Answer	Further Information
Who is the bidder?	The Offer is made by Australian Laboratory Services Pty. Ltd. ACN 009 936 029 (a wholly owned subsidiary of ALS Limited ACN 009 657 489). Information about ALS and ALSPL can be obtained from section 4 of this Target's Statement and section 4 of the Bidder's Statement or from ALS' website at www.alsglobal.com .	Section 4
What is the Offer?	ALSPL has made an offer of \$0.16 cash for each HRL Share you hold (less the amount or value of any Rights attaching to the HRL Shares which arise or are paid on or after the date of the Bidder's Statement and which the Bidder does not receive), subject to any improvement permitted by the Corporations Act.	Section 2.2
What choices do I have as an HRL Shareholder?	As an HRL Shareholder, you have the following choices: (a) you can accept the Offer; (b) you can reject the Offer; or (c) you can sell your HRL Shares on market (unless you have previously accepted the Offer and you have not validly withdrawn your acceptance). When deciding what to do, you should carefully consider the Directors' recommendation and other important considerations set out in this Target's Statement.	Section 5
What do your Directors recommend?	Your Directors unanimously recommend that you accept the Offer in the absence of a Superior Proposal. The reasons for this recommendation are set out in this Target's Statement.	Section 1.2
Why has no independent expert been appointed?	Under the Corporations Act, HRL was not required to engage an independent expert. The Directors consider that HRL Shareholders are able to decide whether or not to accept the Offer based on the merits of the Offer as presented in the Bidder's Statement and this Target's Statement.	
How do I accept the Offer?	Details of how to accept the Offer are set out in sections 10.13 to 10.28 of the Bidder's Statement and section 5.1 of this Target's Statement.	Section 5
How do I reject the Offer?	To reject the Offer, you do not need to do anything.	Section 5

Question	Answer	Further Information
When do I have to decide?	If you want to accept the Offer, you need to do so before the end of the Offer Period. The Offer Period is expected to remain open until 17 August 2022, unless extended or withdrawn. If you want to reject the Offer, you need not do anything.	Section 2.4
Can ALSPL vary the Offer?	Yes. ALSPL can vary the Offer by extending the Offer Period or increasing the Offer Price.	Section 2.8
When does the Offer close?	The Offer will close at 17 August 2022, unless it is extended or withdrawn.	Section 2.4
What happens if ALSPL increases the consideration payable under the Offer?	If ALSPL increases the consideration payable under the Offer, you will receive the higher consideration even if you have already accepted the Offer.	Section 2.8
What are the conditions of the Offer?	The Offer is unconditional. Refer to sections 1.2 and 1.9 of the Bidder's Statement.	Section 2.5
What are the consequences of accepting the Offer now?	If you accept the Offer, you may forfeit the opportunity to benefit from any superior offer made by another bidder for your HRL Shares, if that offer were to eventuate. If you accept the Offer you will not be able to sell your HRL Shares on ASX.	Section 2.6
If I accept the Offer, can I withdraw my acceptance?	No, unless the Takeovers Panel decides otherwise.	Section 6.2
What happens if I do nothing?	You will remain an HRL Shareholder unless ALSPL can compulsorily acquire your HRL Shares. If you do nothing, but ALSPL acquires 90% or more of HRL Shares, ALSPL has indicated that it intends to compulsorily acquire your HRL Shares.	Sections 5 and 2.9
Can I be forced to sell my HRL Shares?	You cannot be forced to sell your HRL Shares unless ALSPL proceeds to compulsory acquisition. If ALSPL proceeds to compulsory acquisition, you will receive the same consideration as if you had accepted the Offer.	Section 2.9
When will I receive my consideration if I accept the Offer?	If you accept the Offer, you will receive your consideration on or before the day that is five Business Days after receipt of your valid acceptance of the Offer.	Section 2.7
What are the tax implications of accepting the Offer?	A general outline of the tax implications of accepting the Offer is set out in section 8 of the Bidder's Statement. Refer also to section 8 of this Target's Statement. You should consult your financial or tax adviser for advice on the tax implications applicable to your individual circumstances.	Section 8

Question	Answer	Further Information
<p>Will I still be able to sell my HRL Shares on ASX given ALSPL holds at least 50.1% but less than 90% of the HRL Shares?</p>	<p>If you retain your HRL Shares, you will still be able to sell them on ASX unless HRL is delisted at some time in the future.</p> <p>ALSPL has stated in its Bidder’s Statement that if ALSPL acquires between 50% and 90% of HRL Shares, it would seek the removal of HRL from the official list of ASX.</p> <p>If HRL is removed from the official list of ASX, you will not be able to sell your HRL Shares on ASX.</p> <p>On 30 June 2022, ALS announced that it had a Relevant Interest in 19.99% of HRL Shares. As at close of trading on 14 July 2022, ALS now holds a Relevant Interest in 77.15% of HRL Shares.</p>	<p>Section 2.10</p>
<p>What is a bidder’s statement?</p>	<p>The documents sent to you by ALSPL include a document called a bidder’s statement. It contains information about the Offer.</p>	
<p>What is a target’s statement?</p>	<p>This document is a target’s statement. It contains information prepared by your Directors to help you decide whether to accept the Offer.</p>	
<p>What if I have other questions about the Offer?</p>	<p>If you have any questions, please call the HRL Shareholder information line on 1800 336 109 (within Australia) or +61 1800 336 109 (outside Australia) on weekdays between 8.30am and 5.30pm (Sydney time), or visit HRL’s website at www.hrlholdings.com.</p> <p>Announcements made to ASX by HRL and other information relating to the Offer can be obtained from HRL’s website at www.hrlholdings.com.</p>	

1 Directors' recommendation

1.1 Summary of the Offer

ALSPL is offering HRL Shareholders \$0.16 cash for each HRL Share.² The Offer is unconditional (refer to section 2.5 of this Target's Statement).

1.2 Directors' recommendation

After taking into account the terms of the Offer and the matters in this Target's Statement, each Director unanimously recommends that you accept the Offer in the absence of a Superior Proposal.

The reasons for the Directors' recommendation are set out in the section entitled 'Why you should accept the Offer'.

1.3 Directors' acceptance of the Offer

At the date of this Target's Statement, all of your Directors have already accepted the Offer or intend to accept the offer for the HRL Shares held or controlled by them, in the absence of a Superior Proposal.

Details of the Relevant Interests of each Director in HRL Shares are set out in section 9.

² \$0.16 cash for each HRL Share (less the amount or value of any Rights attaching to the HRL Shares which arise or are paid on or after the date of the Bidder's Statement and which the Bidder does not receive), subject to any improvement permitted by the Corporations Act.

2 Key terms of the Offer

2.1 History

On 28 June 2022, ALS announced its intention to make an off-market takeover bid for all the ordinary Shares in HRL. On 1 July 2022, ALSPL lodged its Bidder's Statement with ASIC and gave a copy to HRL.

The Bidder's Statement contains the Offer.

2.2 Summary of the Offer

The Offer is to acquire all of your HRL Shares and any rights attaching to the Shares for \$0.16 cash for each HRL Share.³

2.3 Performance Rights and Options

As at the date of this Target's Statement, there are currently 1,453,337 unvested Performance Rights on issue to senior management under a long-term incentive plan. Each equity-settled performance right which vests and is exercised converts to an ordinary share in the Company at nil exercise price. The performance rights are not quoted on the ASX. Performance rights granted carry no dividend or voting rights.

On 1 July 2022, 1,131,494 Performance Rights lapsed due to failure to meet financial based vesting conditions. On 15 July 2022, 1,830,502 HRL Shares were issued in relation to Performance Rights which vested prior to the date of this Target's Statement. The Board will determine that the balance of the Performance Rights will vest (and, therefore, not be subject to any vesting conditions) no later than the date on which ALSPL becomes entitled to proceed to undertake compulsory acquisition under section 661A of the Corporations Act.

The Company currently has on issue 15,000,000 options issued (in aggregate) to Steven Dabelstein (CEO) and Michael Harvey (CFO). Each option which vests and is exercised converts to an ordinary share in the Company at an exercise price of \$0.12. The options are not quoted on the ASX. Options granted carry no dividend or voting rights. The Board will give its consent to allow the transfer of the Options (or the rights comprising the Options) to ALSPL, or a Related Body Corporate of ALSPL, no later than the date on which ALSPL becomes entitled to proceed to compulsory acquisition under section 661A of the Corporations Act.

2.4 Offer Period

The Offer will remain open for acceptance until 17 August 2022, unless extended or withdrawn under the Corporations Act.

³ \$0.16 cash for each HRL Share (less the amount or value of any Rights attaching to the HRL Shares which arise or are paid on or after the date of the Bidder's Statement and which the Bidder does not receive), subject to any improvement permitted by the Corporations Act.

2.5 Conditions of the Offer

The Offer is unconditional. Refer to sections 1.2 and 1.9 of the Bidder's Statement.

2.6 Effect of acceptance

The effect of acceptance of the Offer is set out in sections 10.29 to 10.30 of the Bidder's Statement. Read that section in full to understand the effect that acceptance will have on your ability to exercise the rights attaching to your HRL Shares and the representations and warranties which you give by accepting the Offer. In particular, if you accept the Offer, you may forfeit the opportunity to benefit from any superior offer made by another bidder for your HRL Shares, if that offer were to eventuate. If you accept the Offer you will not be able to sell your HRL Shares on ASX.

2.7 Payment of consideration

ALSPL has set out in sections 10.38 to 10.43 of the Bidder's Statement the timing of the payment of the consideration to holders of HRL Shares who accept the Offer. In general terms, you will receive the consideration to which you are entitled under the Offer on or before the day that is five Business Days after receipt of your valid acceptance.

2.8 Changes to the Offer

ALSPL can vary the Offer by:

- (a) extending the Offer Period; or
- (b) increasing the consideration offered under the Offer.

If you accept the Offer and ALSPL subsequently increases its Offer Price, you are entitled to receive the higher price.

2.9 Compulsory acquisition

ALSPL has indicated in sections 7.6 to 7.18 of its Bidder's Statement that, if it is entitled to do so, it will proceed to compulsorily acquire all remaining HRL Shares.

Under section 661A Corporations Act, ALSPL is entitled to compulsorily acquire any HRL Shares for which it has not received an acceptance of its Offer on the same terms as the Offer if, during or at the end of the Offer Period, ALSPL and its associates have a Relevant Interest in at least 90% (by number) of HRL Shares. The consideration per HRL Share payable to HRL Shareholders whose Shares are compulsorily acquired is the same as that payable under the Offer.

On 30 June 2022, ALS announced that it had a Relevant Interest in 19.99% of HRL Shares on issue. As at close of trading on 14 July 2022, ALS now holds a Relevant Interest in 77.15% of HRL Shares.

If ALSPL is entitled to proceed to compulsory acquisition, it will have one month after the Offer Period to give compulsory acquisition notices to HRL Shareholders who have not accepted the Offer. HRL Shareholders have statutory rights to challenge the compulsory acquisition, but a successful challenge will require the Shareholders to establish to the satisfaction of a court that the terms of the Offer do not represent 'fair value' for the HRL Shares.

2.10 ALSPL's intention if 90% threshold not met

ALSPL has stated in sections 7.19 to 7.32 of its Bidder's Statement that if by virtue of acceptances of the Offer it acquires between 50% and 90% of HRL Shares (so that it cannot proceed to compulsorily acquire the remaining Shares), then ALSPL intends to:

- (a) seek the removal of HRL from the official list of ASX, which would mean that HRL Shares cannot be traded on ASX; and
- (b) depending on the level of ownership achieved, appoint ALS nominees to the HRL Board to constitute a majority of the HRL Board, by making additional appointments to the HRL Board and/or by replacing existing HRL Directors with its nominees.

If HRL becomes a controlled entity but not a wholly owned subsidiary of ALSPL, there are also a number of other objectives and goals that a newly constituted board of directors of HRL would attempt to implement, to the extent possible and appropriate, as set out in sections 7.19 to 7.32 of the Bidder's Statement.

ALSPL has also stated in section 7.36 of the Bidder's Statement that to the extent that HRL does not become a wholly owned subsidiary of ALSPL and there are minority shareholders of HRL, ALSPL intends that the ALSPL nominees appointed as directors of HRL will act at all times in accordance with their fiduciary duties and ensure that all requisite shareholder approvals and other legal requirements are complied with in pursuing any of the intentions outlined in the Bidder's Statement.

Those requirements may require the approval of minority shareholders to the implementation of any particular objective.

3 Profile of HRL

Section 3 contains more detailed information on HRL's businesses, financial outlook and the management of HRL.

3.1 Introduction

HRL is an Australian public company listed on ASX (ASX: HRL). It was incorporated in 2006 and its head office is in Brisbane, Australia.

The HRL Group is a diversified environmental and laboratory service provider with offices and laboratory facilities across Australia and New Zealand. HRL delivers its services via subsidiary brands in the following markets:

- (a) food, natural products and environmental testing – Analytica;
- (b) occupational hygiene – OCTIEF (Australia) and Precise (New Zealand); and
- (c) data management – OCTFOLIO.

HRL divested its construction material testing and geotechnical engineering business unit in May 2022 by way of asset sale.

The HRL Group also has joint venture interests, including a 26% interest in CAIQTest (Pacific) Limited, a New Zealand based laboratory providing pre-shipment testing services for clients exporting goods from Australasia to China, assisting with supply chain bottlenecks, and a 50% interest in Foodlab Pacific Limited, a 50:50 joint venture company with MilkTest NZ Limited Partnership, which has received its first and second phase of accreditations from IANZ, allowing it to provide an initial range of analytical testing services to customers in the wider New Zealand dairy industry (while continuing to focus on business development with customers and the remaining phases of its method accreditation). The joint venture with MilkTest NZ Limited Partnership represents an expansion of the pre-existing strategic alliance between the HRL Group and MilkTest NZ Limited Partnership, which was focused on liquid milk testing.

3.2 Business overview

The HRL Group's operations principally comprise of:

- (a) hazardous materials services including:
 - (i) industrial hygiene, with a focus on asbestos and hazardous materials management;
 - (ii) property contamination testing and workplace drug testing;
 - (iii) environmental testing services (air, water and soil including contaminated land);
 - (iv) environmental and property management software solutions; and
 - (v) specialised NATA/IANZ - on-site testing and monitoring.
- (b) food and environmental laboratory services including:
 - (i) honey laboratory testing;

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- (ii) milk and dairy laboratory testing;
 - (iii) food origin testing;
 - (iv) drugs of abuse laboratory testing;
 - (v) asbestos laboratory analysis;
 - (vi) environmental laboratory testing (air, water, soil including organic and inorganics); and
 - (vii) other laboratory research and development.
- (c) software services:
- (i) information management software solutions for asbestos and hazardous materials;
 - (ii) innovative field management software solutions; and
 - (iii) customised compliance solutions and applications relating to workplace health and safety.

3.3 Directors and senior management

As at the date of this Target's Statement, the directors of HRL are set out below:

- (a) Greg Kilmister (Non-executive chairman)
- (b) Steve Howse (Executive director)
- (c) James Todd (Non-executive director)
- (d) Richard Stephens (Non-executive director)
- (e) Alex White (Non-executive director)

As at the date of this Target's Statement, the members of senior management of HRL are set out below:

- (a) Steven Dabelstein (Chief executive officer)
- (b) Michael Harvey (Chief finance officer)
- (c) Paul Marshall (Company secretary)

3.4 Key statistics

Set out below are some key ratios and statistics extracted from HRL's audited financial statements for the year ended 30 June 2021 and the half-year ended 31 December 2021.

	6 Months Ending 31 December 2021 \$'000	12 Months Ending 30 June 2021 \$'000
Underlying EBITDA ¹	2,015	7,715
Operating depreciation and amortisation	(1,804)	(2,970)
Borrowing costs (net of interest income)	(172)	(290)
Operating tax	11	(1,226)
Underlying profit after tax	50	3,229
<i>Non-operating adjustments</i>		
Amortisation of intangible assets from acquisitions	(243)	(809)
Foodlab equity accounted share of loss	(537)	(1,019)
Non-operating tax	1	(89)
Statutory profit/(loss) after income tax	(729)	1,312

	6 Months Ending December 2021 \$'000	12 Months Ending June 2021 \$'000
Revenues	18,008	34,623
Cashflows provided by operations	767	5,522
Net debt ²	3,482	384
Net current assets	515	835

¹ In the opinion of the Directors, the HRL Group's underlying profit reflects the results generated from ongoing operating activities and is calculated in accordance with AICD/Finsia principles. The non-operating adjustments outlined above are considered to be non-recurring in nature. These items are included in the HRL Group's consolidated statutory result but excluded from the underlying result.

² Net debt represents cash and cash equivalents less borrowings including bank financed asset leases.

3.5 Summary historical financial information

The summary historical financial information below has been extracted from HRL's audited financial statements for the year ended 30 June 2021 and the half-year ended 31 December 2021 and does not take into account the effects of the Offer.

Copies of HRL's annual reports from which the financial information was extracted can be found on the company's website at www.hrlholdings.com. These reports also contain details of HRL's accounting policies. Shareholders without internet access can obtain copies of these reports by contacting the company secretary of HRL on paul.marshall@hrlholdings.com.

Consolidated Statement of Comprehensive Income

	6 Months Ending 31 December 2021 \$'000	12 Months Ending 30 June 2021 \$'000
HAZMAT service revenue	5,005	9,420
Geotechnical service revenue	3,832	6,060
Food and environmental laboratory revenue	8,773	18,280
Software service revenue	394	852
Interest revenue	4	11
Total Revenue	18,008	34,623
Costs and consumables relating to the provision of services	(3,281)	(5,824)
Employee expenses	(10,788)	(17,689)
Travel and business development expenses	(241)	(401)
Other expenses	(1,959)	(3,204)
Finance costs	(176)	(301)
Depreciation & amortisation – equipment, software & leased assets	(1,804)	(2,970)
Amortisation - acquisition intangible assets	(243)	(809)
Total Expenses	(18,492)	(31,198)
Equity accounted share of profit/(loss)	(257)	(798)
Profit/(loss) before income tax	(741)	2,627
Income tax benefit/(expense)	12	(1,315)
Profit/(loss) after income tax	(729)	1,312
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Foreign currency translation differences for foreign operations	186	(58)
Income tax	-	-
Other comprehensive income for the period, net of tax	186	(58)
Total comprehensive income	(543)	1,254

Consolidated Balance Sheet

	31 December 2021 \$'000	30 June 2021 \$'000
CURRENT ASSETS		
Cash and cash equivalents	852	1,585
Trade and other receivables	4,551	4,645
Inventories	946	742
Other current assets	600	59
TOTAL CURRENT ASSETS	6,949	7,031
NON-CURRENT ASSETS		
Trade and other receivables	119	224
Equity accounted investments	1,344	1,035
Plant and equipment	8,245	6,877
Intangible assets	1,286	1,329
Goodwill	16,876	16,776
Right-of-use assets	2,346	1,892
Deferred tax assets	912	1,040
TOTAL NON-CURRENT ASSETS	31,128	29,173
TOTAL ASSETS	38,077	36,204
CURRENT LIABILITIES		
Trade and other payables	2,465	2,895
Current tax liabilities	658	850
Short-term provisions	1,272	1,197
Lease liabilities	1,176	1,202
Borrowings	863	52
TOTAL CURRENT LIABILITIES	6,434	6,196
NON-CURRENT LIABILITIES		
Long-term provisions	89	23
Lease liabilities	1,522	1,163
Borrowings	2,990	1,339
Deferred tax liabilities	-	4
TOTAL NON-CURRENT LIABILITIES	4,601	2,529
TOTAL LIABILITIES	11,035	8,725
NET ASSETS	27,042	27,479
EQUITY		
Contributed capital	38,264	38,197
Reserves	131	(94)
Accumulated losses	(11,353)	(10,624)
TOTAL EQUITY	27,042	27,479

Consolidated Statement of Changes in Equity

	Contributed Capital \$'000	Accumulated Losses \$'000	Reserves \$'000	Total \$'000
Balance at 1 July 2020	38,162	(12,022)	(112)	26,028
Transactions with owners in their capacity as owners				
Share based payments	-	-	197	197
Transfer of expired performance rights	-	86	(86)	-
Conversion of performance rights	35	-	(35)	-
Total	35	86	76	197
Comprehensive income				
Profit after income tax	-	1,312	-	1,312
Foreign currency translation differences for foreign operations	-	-	(58)	(58)
Total comprehensive income	-	1,312	(58)	1,254
Balance at 30 June 2021	38,197	(10,624)	(94)	27,479
Balance at 1 July 2021	38,197	(10,624)	(94)	27,479
Transactions with owners in their capacity as owners				
Share based payments	-	-	106	106
Transfer of expired performance rights	-	-	-	-
Conversion of performance rights	67	-	(67)	-
Total	67	-	39	106
Comprehensive income				
Loss after income tax	-	(729)	-	(729)
Foreign currency translation differences for foreign operations	-	-	186	186
Total comprehensive income	-	(729)	186	(543)
Balance at 31 December 2021	38,264	(11,353)	131	27,042

Consolidated Statement of Cash Flows

	6 Months Ending 31 December 2021 \$'000	12 Months Ending 30 June 2021 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	20,362	38,080
Payments to suppliers and employees	(19,631)	(31,884)
Interest received	4	4
Income tax paid	(66)	(1,012)
COVID-19 wage subsidies received	274	635
Finance costs	(176)	(301)
Net cash provided by/(used in) operating activities	767	5,522
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for plant & equipment	(2,374)	(2,091)
Proceeds from the sale of plant & equipment	44	219
Payments for intangible assets	(422)	(190)
Security bond payments	(41)	24
Net cash outflow on acquisition of Water Testing Hawkes Bay	-	(502)
Investment in Food Lab Pacific Limited	(586)	(1,137)
Net cash used in investing activities	(3,379)	(3,677)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	3,146	4,395
Repayment of borrowings	(684)	(6,263)
Lease principal payments	(732)	(1,305)
CAIQTest (Pacific) Limited loan repayment	141	65
Net cash provided by/(used in) financing activities	1,871	(3,108)
Net increase/(decrease) in cash and cash equivalents held	(739)	(1,263)
Net foreign exchange differences	6	(6)
Cash and cash equivalents at the beginning of the financial period	1,585	2,854
Cash and cash equivalents at the end of the financial period	852	1,585

3.6 Material changes in HRL's financial position

Since 31 December 2021, the following material changes to HRL's financial position have occurred:

- On 31 May 2022, HRL announced that it had settled an asset sale agreement to divest its construction material testing and geotechnical engineering business unit for \$1.5m with and additional \$0.3m of consideration on certain accreditations and key customer contracts being assigned to the purchaser. HRL anticipates that 50% (\$150,000) of the contingent consideration will ultimately be received. The expected loss on sale, after accounting for the book value of goodwill attributable to this business unit, will be around \$1.2m.
- HRL's net debt at 30 June 2022 is around \$4.2m, with the increase primarily attributable to further investment in equipment, additional investments in the Food Lab Pacific Limited joint venture and New Zealand tax payments.

3.7 Recent Share price performance

HRL Shares are quoted on ASX under the code ASX: HRL.

The closing price of HRL Shares on ASX on 14 July 2022, being the last trading day before the date of this Target's Statement, was \$0.16.

The highest and lowest recorded closing prices of HRL Shares on ASX during the specified periods immediately before the Announcement Date are set out below:

Period	Highest Price	Lowest Price ⁴
12 months to and including 27 June 2022	\$0.125	\$0.078
3 months to and including 27 June 2022	\$0.095	\$0.078
1 month to and including 27 June 2022	\$0.091	\$0.080
5 trading days to and including 27 June 2022	\$0.086	\$0.080

Between the announcement of the Offer to ASX on 28 June 2022 and the close of trading on 14 July 2022, being the last trading day before the date of this Target's Statement, HRL Shares have traded on ASX within the range of \$0.135 to \$0.165.

3.8 Publicly available information

HRL is a company listed on ASX and is subject to periodic and continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. A substantial amount of information on HRL is publicly available and may be accessed by referring to HRL on www.asx.com.au.

A list of announcements made by HRL to ASX between 28 June 2022 and the date of this Target's Statement is set out in the Schedule. This information may be relevant to your assessment of the Offer. Copies of the announcements are available from ASX.

Further announcements about developments on the Offer will continue to be made available on HRL's website at www.hrlholdings.com after the date of this Target's Statement.

⁴ Based on trading days where HRL Shares were traded on the ASX.

3.9 Further information

Further information about HRL can be found on HRL's website: www.hrlholdings.com.

3.10 Issued capital

At the date of this Target's Statement, HRL's issued capital was 496,211,808 Shares as disclosed in the last Appendix 2A lodged with ASX.

3.11 Substantial holders

Substantial holder notices lodged with ASX on or before the date of this Target's Statement indicated that the following entities (together with any of their associates) have Relevant Interests in 5% or more of HRL's Shares:

Name	HRL Shares	Relevant interest in shares (%)
Australian Laboratory Services Pty. Ltd. (ACN 009 936 029) and ALS Limited (ACN 009 657 489)	381,421,542	77.15% ⁵

⁵ On the same day the substantial holder notice was lodged the Company issued 1,830,502 HRL Shares in relation to Performance Rights which vested prior to the date of this Target's Statement resulting in Australian Laboratory Services Pty. Ltd. (ACN 009 936 029) and ALS Limited (ACN 009 657 489) having a Relevant Interest of 76.87%.

4 About ALS and ALSPL

4.1 Disclaimer

The following information about ALS and ALSPL has been prepared by HRL using publicly available information, including information in the Bidder's Statement, and has not been independently verified. Accordingly, HRL does not, subject to the Corporations Act, make any representation or warranty, express or implied as to the accuracy or completeness of this information. The information on ALS and ALSPL in this Target's Statement should not be considered comprehensive.

4.2 Publicly available information

ALS is a company listed on ASX and is subject to the periodic and continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. A substantial amount of information on ALS is publicly available and may be accessed by referring to ALS on www.asx.com.au.

4.3 Overview of principal activities

The principal activities of the ALS Group include the provision of professional technical services, primarily in the areas of testing, measurement and inspection, supporting:

- (a) environmental monitoring;
- (b) food and pharmaceutical quality assurance;
- (c) mining and mineral exploration;
- (d) commodity certification;
- (e) equipment maintenance; and
- (f) asset care operations.

ALS' life sciences division provides analytical testing and sampling services and remote monitoring for the environmental, food, pharmaceutical, and consumer product markets. It is a leader in global comprehensive analytical testing, demonstrating expertise in microbiological, physical, and chemical testing services. The commodities division is a leading full-service provider of testing services for the global mining industry in four key business streams, being geochemistry, metallurgy, inspection, and coal quality, with an extensive client base of explorers, miners and traders. ALS' industrial division is a leading provider of diagnostic testing and engineering solutions for the energy, resources, transportation, and infrastructure sectors.

4.4 Further information

Further information about ALS and ALSPL can also be found on ALS's website at www.alsglobal.com and in section 4 of the Bidder's Statement.

5 Your choices as an HRL Shareholder

Your Directors unanimously recommend that you accept the Offer in the absence of a Superior Proposal.

As an HRL Shareholder, you can respond to the Offer in one of three ways.

5.1 Accept the Offer

To accept the Offer, follow the instructions in sections 10.13 to 10.28 of the Bidder's Statement and on the acceptance form accompanying the Bidder's Statement.

The Offer may only be accepted for all of your HRL Shares.

ALSPL has stated that the Offer remains open until 17 August 2022. ALSPL may choose to extend the Offer Period.

If you have any queries about the Offer you may also call the HRL Shareholder information line on 1800 336 109 (within Australia) or +61 1800 336 109 (outside Australia) on weekdays between 8.30am and 5.30pm (Sydney time).

5.2 Sell your HRL Shares on market

During the Offer Period, you can still sell your Shares on market for cash, if you have not already accepted the Offer for those Shares.

The latest price for HRL Shares may be obtained from the ASX website at www.asx.com.au.

If you sell your Shares on market, you:

- (a) will lose the ability to accept the Offer and any higher offer for your Shares (which may or may not eventuate);
- (b) will lose the opportunity to receive future returns from HRL;
- (c) may be liable for capital gains tax on the sale (refer to section 8 for further details); and
- (d) may incur a brokerage charge.

5.3 Reject the Offer and do not sell your Shares on market

The Directors unanimously recommend that you accept the Offer in the absence of a Superior Proposal. However, if you wish to reject the Offer and do not wish to sell your Shares on market you should do nothing.

You should note that:

- (a) if ALS acquires a Relevant Interest in 90% of the Shares it may be entitled to compulsorily acquire your Shares notwithstanding that you did not accept the Offer (see section 2.9 for further details); and
- (b) even if ALS is not entitled to compulsorily acquire your shares, ALS may control HRL – if HRL is delisted you will not be able to sell your Shares on ASX.

6 Disadvantages associated with accepting the Offer

Although your directors unanimously recommend that you accept the Offer in the absence of a Superior Proposal, there may be certain disadvantages in doing so. A summary of some of those disadvantages is set out below.

This summary is not exhaustive and you should have regard to your own personal investment objectives and financial circumstances, and should consult your professional advisers, before deciding whether or not to accept the Offer.

6.1 If you accept the Offer, you will no longer own HRL Shares

If you accept the Offer, you will no longer own HRL Shares. This means that you will lose the ability to benefit from any future dividends paid by HRL or capital growth in the value of HRL shares, other than as a result of your holding shares in ALS, in which case you will only have an indirect and diluted interest in HRL's holding entity.

6.2 Shareholders will be unable to withdraw their acceptance or accept a Superior Proposal

If a Superior Proposal is announced, HRL Shareholders who have accepted the Offer will not be able to withdraw their acceptance of the Offer and accept a Superior Proposal, unless the Takeovers Panel decides otherwise.

At the date of this Target's Statement, HRL is not aware of any Superior Proposal.

7 Risk factors

7.1 Introduction

In considering the Offer, HRL Shareholders should be aware that there are a number of risk factors associated with either accepting the Offer or rejecting the Offer and remaining as an HRL Shareholder.

This section 7 outlines:

- (a) risks associated with accepting the Offer (refer to section 7.2); and
- (b) risks associated with rejecting the Offer and remaining a HRL Shareholder (refer to section 7.3).

While measures can be taken to mitigate some of these risks, these risks remain either wholly or partially outside the control of HRL, the HRL Group and the HRL Directors.

In deciding whether to accept the Offer, HRL Shareholders should read this Target's Statement and the Bidder's Statement carefully and consider these risks.

The risks set out in this section 7:

- (a) do not take into account the individual investment objectives, financial situation, position or particular needs of HRL Shareholders;
- (b) are general in nature only and do not cover every risk that may be associated with an investment in HRL now or in the future; and
- (c) are not an exhaustive list of all risks.

There may also be additional risks and uncertainties not currently known to HRL, or which are currently known to HRL but which HRL currently considers to be immaterial, which may have a material adverse effect on HRL's operating and financial performance and the price or value of HRL Shares.

7.2 Risks associated with accepting the Offer

(a) Possibility of a Competing or Superior Proposal emerging

If a Competing Proposal emerges (that you consider to be superior to the Offer) or if a Superior Proposal emerges, and you have already accepted the Offer at that time, you may not be able to withdraw your acceptance in which case you will be unable to accept the Competing Proposal or Superior Proposal if one arises.

In light of ALS' Relevant Interest in approximately 77.15% of HRL Shares (as at close of trading on 14 July 2022), the HRL Board considers that it is unlikely that a Superior Proposal will be forthcoming before the end of the Offer Period.

See section 6.2 of this Target's Statement for further details as to when you may withdraw your acceptance of the Offer.

(b) **Possibility of future HRL Share price appreciation**

You may be able to sell your HRL Shares in the future for more valuable consideration than that offered under the Offer (although HRL can give no assurances and makes no forecast of whether this will occur).

(c) **Taxation consequences**

The taxation consequences of accepting the Offer depend on a number of factors and will vary depending on your particular circumstances.

You should carefully read and consider the Australian taxation consequences of accepting the Offer set out in section 8 of the Bidder's Statement. However, you should seek your own specific professional advice as to the taxation implications applicable to your circumstances.

7.3 Risks associated with rejecting the Offer

(a) **General risk factors**

If you reject the Offer, you will not receive the Offer Price and you will remain an HRL Shareholder and exposed to the risks associated with HRL. These risks include a number of general risks that could materially adversely affect its assets and liabilities, financial position, profits, prospects and potential to make further distributions to HRL Shareholders, and the price and/or value of HRL Shares.

General risks that may impact on HRL, the HRL Group or the price and/or value of HRL Shares include:

- (i) changes in general business, industry cycles and economic conditions including inflation, interest rates, exchange rates, commodity prices, employment rates and consumer demand;
- (ii) changes to government policy, legislation or regulation, both domestic and global, which may restrict or otherwise impact the business operations and activities of HRL and the HRL Group;
- (iii) the nature of competition in which HRL and the HRL Group operate;
- (iv) natural disasters, catastrophes and disease or pandemic (including the outbreak, escalation or impact of, and recovery from, the COVID-19 pandemic) and other macroeconomic occurrences, including but not limited to geopolitical events such as an outbreak of hostilities, acts of terrorism and declarations of war;
- (v) variations in the operating results of HRL and the HRL Group;
- (vi) cash flow and liquidity risks;
- (vii) inclusion or removal from major market indices;
- (viii) variations in recommendations by securities analysts and brokers;
- (ix) changes in investor sentiment and perceptions, market fluctuations and overall performance of the Australian and international stock markets;

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- (x) the operating and trading price performance of other comparable listed entities;
 - (xi) changes to accounting standards and reporting standards;
 - (xii) changes to the current tax regime;
 - (xiii) claims, litigation, industry complaints, regulatory investigations and other disputes, which may be with or without merit, giving rise to, among other things, costs of defending and resolving such disputes, heightened public scrutiny and potential reputational harm;
 - (xiv) strategic, contractual and partnerships risks, including but not limited to the potential loss, non-renewal or renewal on less favourable terms of contracts or partnership agreements with third parties; and
 - (xv) other risks and uncertainties which may not currently be known to HRL or the HRL Group.

Some of these factors could affect the price and/or value of HRL Shares regardless of HRL's underlying operating performance.

(b) **Specific risks relating to HRL**

In addition to the general risks outlined at section 7.3(a), HRL Shareholders will be also exposed to a number of specific risks relating to HRL and the HRL Group, which may adversely affect the future operating and financial performance of HRL and the price or value of HRL Shares. Key business risks are summarised in no order of significance as follows:

(i) **Regulatory risk and government policy**

The HRL Group operates in the testing, inspection and certification industry. The provision of services by the HRL Group is affected by both general and industry specific legal and regulatory controls. Any alteration in these controls will have a corresponding effect of the business of HRL. Any major shift in regulatory policy that cannot be adapted to by HRL will have an impact on financial performance.

(ii) **Major Client Risk**

The HRL Group relies on several key clients for a significant portion of its revenue. The loss of any of these key clients may have a negative impact on the HRL Group's revenue and profit unless they can be replaced.

(iii) **Logistics Risk**

The HRL Group relies on the importation of scientific equipment and supplies. Any continuity issues in global logistics could see delays in delivery timetables with impacts on customer service and revenue.

(iv) **Reliance on key personnel**

The HRL Group operates in specialised sectors and needs to attract and retain personnel with relevant experience and knowledge in order to take advantage of growth opportunities. In particular, a failure to attract and retain executive, business development, technical and other key personnel could reduce the HRL Group's revenue and operational effectiveness. There is a continuing demand for

relevant qualified personnel, and HRL believes that its future growth and success will depend upon its ability to attract, train and retain such personnel. Competition for personnel in HRL's industry is intense, and there is a limited number of persons with knowledge of, and experience in, the industry and sectors that the HRL Group operates. An inability to attract or maintain a sufficient number of requisite personnel could have a material adverse effect on HRL's performance or on HRL's ability to capitalise on market opportunities.

(v) **Accreditation**

The HRL Group relies on being awarded and retaining appropriate accreditations and affiliations in Australia and New Zealand in order to provide its certification services. A failure to retain such accreditations and affiliations may impact the HRL Group's ability to deliver certain services.

(vi) **Reputation**

Reputation is key to the HRL Group maintaining and growing its business. Ethical breaches and poor quality service, either within the HRL Group's own operations or its supply chain could damage its reputation and impact the HRL Group's revenue, share price, ability to retain staff, and business opportunities.

(vii) **Operational health and safety**

The HRL Group operates across a number of sectors that have inherent safety risks. Any health and safety incidents arising from the HRL Group's activities could lead to injuries, litigation or legal/regulatory action, loss of accreditation and an erosion of client confidence.

(viii) **Additional requirements for capital**

HRL's capital requirements depend on numerous factors. Depending on the outcome of its business operations, HRL may require further financing. Any additional equity financing will dilute shareholdings and debt financing may involve restrictions on financing and operating activities.

If HRL is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations. There is no guarantee that HRL will be able to secure any additional funding or be able to secure funding on terms favourable to HRL and such circumstances will adversely affect HRL.

8 Tax consequences

By accepting the Offer, you may trigger a tax consequence in relation to your HRL Shares.

Section 8 of the Bidder's Statement sets out an overview of the Australian income tax and capital gains tax implications for Australian residents (for tax purposes) and non-residents who accept the Offer as at the date of the Bidder's Statement. However, the tax consequences of accepting the Offer will depend on your individual circumstances.

All Shareholders are advised to seek independent professional advice about their particular circumstances and non-resident Shareholders should seek their own advice on the Australian and foreign tax consequences associated with any sale of HRL Shares. Do not rely on the comments or the statements contained in this Target's Statement or the Bidder's Statement as advice about your own affairs. Tax laws are complex and there could be implications in addition to those generally described in this Target's Statement and the Bidder's Statement. To the extent permitted by law, HRL does not accept any responsibility for tax implications for individual Shareholders.

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9 Directors' interests

9.1 Directors' interests in HRL Shares

At the date of this Target's Statement, the Directors had a Relevant Interest in the following HRL Shares:

Director	HRL Shares	% of Issued Capital
Greg Kilmister	nil	nil
Steve Howse ⁶	7,190,297	1.449%
James Todd	500,000	0.101%
Richard Stephens	102,999	0.021%
Alex White	nil	nil

Each Director has accepted or intends to accept the Offer for the Shares they hold or control, in the absence of a Superior Proposal.

9.2 Directors' recent dealings in HRL Shares

Except as disclosed below, no Director has acquired or disposed of a Relevant Interest in any HRL Shares in the four month period immediately preceding the date of this Target's Statement.

⁶ As at the date of this Target's Statement, Steve Howse holds 99,946 Performance Rights which have not yet vested.

The following Directors acquired or disposed of securities in HRL during the relevant four month period:

Director	Dealing (acquisition or disposal)	HRL Shares
Greg Kilmister	Disposal on 04/07/2022	1,100,000
Steve Howse	nil	nil
James Todd	nil	nil
Richard Stephens	nil	nil
Alex White	Disposal on 01/07/2022 Disposal on 29/06/2022	83,001,733 25,655,944

9.3 Directors' interests in ALS securities

ALSPL is a wholly-owned subsidiary of ALS. At the date of this Target's Statement, the Directors had a Relevant Interest in the following securities of ALS.

Director	ALS ordinary shares	% of Issued Capital ⁷
Greg Kilmister	140,234	0.029%
Steve Howse	nil	nil
James Todd	nil	nil
Richard Stephens	74,800	0.015%
Alex White	nil	nil

9.4 Directors' recent dealings in ALS securities

Except as disclosed below, no Director has acquired or disposed of a Relevant Interest in any securities in ALS in the four month period immediately preceding the date of this Target's Statement.

⁷ Assuming ALS has 484,167,684 ordinary shares on issue, as noted in the Appendix 2A announced to the ASX on 4 July 2022, being the last Appendix 2A announced by ALS prior to the lodgment of this Target's Statement.

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The following Directors acquired or disposed of securities in ALS during the relevant four month period:

Director	Dealing (acquisition or disposal)	ALS ordinary shares
Greg Kilmister	nil	nil
Steve Howse	nil	nil
James Todd	nil	nil
Richard Stephens	nil	nil
Alex White	nil	nil

9.5 Benefits and agreements

As a result of the Offer no person has been or will be given any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that person, or someone else, from the board of directors of HRL or a related body corporate of HRL.

There are no agreements made between a Director and another person in connection with, or conditional upon, the outcome of the Offer, other than in the Director's capacity as a holder of HRL Shares.

No Director has an interest in any contract entered into by ALS or ALSPL.

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10 Additional information

10.1 Important documents

HRL and ALSPL entered into the Implementation Deed in respect of the Offer after the ASX market closed on 29 June 2022, a full copy of which was released to the ASX when the ASX market opened on 30 June 2022. A summary of certain key terms of the Implementation Deed is set out in sections 9.1 to 9.5 of the Bidder's Statement.

10.2 Consents

The following persons and entities have given and have not before the date of this Target's Statement withdrawn their consent to being named in this Target's Statement in the form and context in which it is named:

- (a) McCullough Robertson being named as legal adviser to HRL in relation to the Offer;
- (b) BDO Audit Pty Ltd being named as HRL's auditor;
- (c) Link Market Services Limited being named as HRL's share registry; and
- (d) each HRL Director being named in this Target's Statement and to the inclusion of each statement they have made and each statement which is said to be based on a statement they have made.

None of the above persons or entities:

- (a) has authorised or caused the issue of this Target's Statement; or
- (b) makes, or purports to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement other than a reference to its name, and a statement included in this Target's Statement with the consent of that party as specified in this section 10.2.

10.3 Publicly available information

This Target's Statement contains statements which are made in, or based on statements made in, documents lodged with ASIC or given to ASX, or announced on the company announcements platform of the ASX, by ALS or ALSPL.

As permitted by ASIC class order 13/521, consent is not required for the inclusion of those statements in this Target's Statement. Neither HRL nor any of its directors, officers, employees or advisers assumes any responsibility or makes any representation or warranty, express or implied, as to the accuracy or completeness of such information.

Where statements in this Target's Statement refer to, or are based on, statements made in, or announcements made by ALS or ALSPL to ASX, any HRL Shareholder may obtain a copy of those documents free of charge during the Offer Period within two Business Days of making a request by contacting HRL's company secretary on paul.marshall@hrlholdings.com. A list of all such documents are set out below:

Date	Announcement
15/07/2022	Change in substantial holding for HRL
13/07/2022	Change of Interest of Substantial Holder for HRL
11/07/2022	Notice of Change of Interests of Substantial Holder for HRL
7/07/2022	HRL: Completion of Dispatch of Bidders Statement from ALQ
7/07/2022	Change in substantial holding for HRL
6/07/2022	Commencement of Dispatch of Bidders Statement
5/07/2022	Notice of Change of Interest of Substantial Holder for HRL
4/07/2022	Notice of Change of Interest of Substantial Holder for HRL
1/07/2022	Notice of Change of Interest of Substantial Holder for HRL
1/07/2022	Bidder's Statement
30/06/2022	Becoming a substantial holder for HRL
30/06/2022	ALS enters into Bid Implementation Deed with HRL
28/06/2022	Response to media speculation - HRL Holdings
25/05/2022	ALS Investor Presentation FY22
25/05/2022	ALS Full Year Results FY22

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

- (a) fairly represent what purports to be a statement made by an official person;
- (b) are a correct and fair copy of, or extract from, what purports to be a public official document; or
- (c) are a correct and fair copy of, or extract from, a statement which has already been published in a book, journal or comparable publication.

In addition, as permitted by ASIC Instrument 2016/72, this Target's Statement contains trading data sourced from Orient Capital Pty Ltd without its consent.

10.4 No material litigation

The Directors are not aware of any current material litigation involving HRL.

10.5 No other material information

This Target's Statement is required to include all of the information that HRL Shareholders and their professional advisers would reasonably require to make an informed assessment about whether to accept the Offer, but:

- (a) only to the extent to which it is reasonable for HRL Shareholders and their professional advisers to expect to find this information in this Target's Statement; and
- (b) only if the information is known to any Director.

The Directors of HRL are of the opinion that the information that HRL Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer is:

- (a) the information contained in the Bidder's Statement (to the extent that the information is not inconsistent with or superseded by information in this Target's Statement);
- (b) the information contained in HRL's annual reports, half-year reports and releases to ASX, and documents lodged by HRL with ASIC before the date of this Target's Statement; and
- (c) the information contained in this Target's Statement.

HRL and its Directors have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, neither HRL nor its Directors take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all statements contained in it.

In deciding what information should be included in this Target's Statement, the Directors have had regard to:

- (a) the nature of the HRL Shares;
- (b) the matters that HRL Shareholders may reasonably be expected to know;
- (c) the fact that certain matters may reasonably be expected to be known to HRL Shareholders' professional advisers; and
- (d) the time available to HRL to prepare the Target's Statement.

11 Approval of Target's Statement

This Target's Statement has been approved by a resolution passed by the Directors on 14 July 2022.

Dated 15 July 2022



Greg Kilmister

Chairman

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12 Definitions and interpretation

12.1 Definitions

In this Target's Statement:

Term	Definition
ALS	means ALS Limited ACN 009 657 489.
ALSPL	means Australian Laboratory Services Pty. Ltd. ACN 009 936 029 (being a wholly-owned subsidiary of ALS).
ALS Group	means ALS and each of its subsidiaries.
Announcement Date	means the date on which a public announcement was made by HRL that ALS had issued a confidential, non-binding indicative proposal to acquire HRL Shares, being 28 June 2022.
ASIC	means the Australian Securities and Investments Commission.
ASX	means ASX Limited ACN 008 624 691 or the securities exchange operated by it (as the case requires).
Bidder's Statement	means the bidder's statement dated 1 July 2022 served on HRL about the off-market offer under section 633 Corporations Act and which contains the Offer.
Business Day	means a day on which banks are open for business in Sydney, Australia but not a Saturday, Sunday or public holiday.
Competing Proposal	<p>means any proposal, agreement, arrangement or transaction, which, if entered into or completed, would result in any person other than ALSPL or any of its Related Bodies Corporate (either alone or together with any one or more of its associates):</p> <ul style="list-style-type: none">(a) acquiring Voting Power in HRL of more than 20%;(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 HRL's business; or(d) otherwise directly or indirectly acquiring, merging or amalgamating with HRL, <p>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.</p>
Corporations Act	means <i>Corporations Act 2001</i> (Cth).
Directors	means the directors of HRL.
Implementation Deed	means the bid implementation deed in respect of the Offer entered into between HRL and ALS on 29 June 2022.
HRL or the Company	means HRL Holdings Ltd ACN 120 896 371.

Term	Definition
HRL Board	means the board of directors of HRL.
HRL Group	means HRL and each of its subsidiaries.
Offer	means the offer by ALS to acquire HRL Shares summarised in section 1 of the Bidder's Statement, the full terms and conditions of which are set out in section 10 of the Bidder's Statement.
Offer Period	means the period during which the Offer will remain open for acceptance under sections 10.32 to 10.34 of the Bidder's Statement.
Offer Price	means the consideration payable by ALSPL under its Offer, being \$0.16 cash for each HRL Share (less the amount or value of any Rights attaching to HRL Shares which arise or are paid on or after the date of the Bidder's Statement and which the Bidder does not receive), subject to any improvement permitted by the Corporations Act.
Options	means the options to acquire unissued HRL Shares, granted to the chief executive officer and chief finance officer of HRL, described in note 11 to the financial statements of HRL for the half-year period ended 31 December 2021.
Performance Rights	means the performance rights granted by HRL to certain members of the senior management team under HRL's long term incentive plan, described in note 11 to the financial statements of HRL for the half-year period ended 31 December 2021.
Related Body Corporate	has the meaning given to that term in the Corporations Act, and Related Bodies Corporate has a corresponding meaning.
Relevant Interest	has the meaning given to that term in sections 608 and 609 of the Corporations Act.
Representative	of a person means an employee, agent, officer, director, adviser or financier of the person and, in the case of advisers and financiers, includes employees, officers and agents of the adviser or financier (as applicable).
Rights	means all accretions, rights or benefits of whatever kind attaching to or arising from or in respect of HRL Shares, whether directly or indirectly, including all rights to receive dividends, distributions or proceeds from any return or reduction of capital, to receive or subscribe for shares, units, notes, options or other securities including by way of any return or reduction of capital and to receive all other distributions or entitlements declared, paid, made or issued by HRL (including by way of any return or reduction of capital) after the Announcement Date which may be paid or payable to HRL Shareholders by HRL but only if the record date for any such dividend occurs before ALSPL is registered as the holder of the relevant HRL Shares.
Shareholder	means a holder of one or more Shares.
Shares or HRL Shares	means the fully paid ordinary shares in HRL.

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Term	Definition
Superior Proposal	<p>means a Competing Proposal which:</p> <ul style="list-style-type: none"> (a) is not the result of a breach by HRL of any of its obligations under clause 6 of the Implementation Deed (it being understood that any actions by a HRL Director, HRL, its Related Bodies Corporate and any of their Representatives in breach of clause 6 of the Implementation Deed will be deemed to be a breach by HRL for these purposes); and (b) the HRL Board, acting in good faith, and after receiving written legal advice from its external legal adviser and written advice from its financial adviser, determines: <ul style="list-style-type: none"> (i) 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 (ii) would, if completed substantially in accordance with its terms, be more favourable to HRL Shareholders (as a whole) than the Offer taking into account all terms and conditions of the Competing Proposal (including consideration, conditionality, funding, certainty and timing).
Target's Statement	means this document, being HRL's target's statement.
Voting Power	has the meaning given to that term in section 610 of the Corporations Act.

12.2 Interpretation

In this Target's Statement, unless the context otherwise requires:

- (a) headings are for convenience and do not affect the interpretation;
- (b) words or phrases defined in the Corporations Act have the same meaning in this Target's Statement;
- (c) a reference to a section or schedule is a reference to a section of and a schedule to this Target's Statement and references to this document include any schedules;
- (d) a singular word includes the plural and vice versa;
- (e) if a word or phrase is defined, its other grammatical forms have a corresponding meaning;
- (f) a reference to a person includes a corporation, trust, partnership, unincorporated body, government and local authority or agency, or other entity whether or not it comprises a separate legal entity;
- (g) a reference to legislation or to a provision of legislation (including subordinate legislation) is to that legislation as amended, re-enacted or replaced, and includes any subordinate legislation issued under it; and
- (h) a reference to '\$' or 'dollar' is to Australian currency.

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Schedule

HRL announcements to ASX since 28 June 2022

Date	Announcement
15/07/2022	Change in substantial holding from ALQ
15/07/2022	Application for quotation of securities - HRL
15/07/2022	Notification of cessation of securities - HRL
13/07/2022	Change of Interest of Substantial Holder from ALQ
11/7/2022	Notice of Change of Interests of Substantial Holder from ALQ
7/7/2022	Ceasing to be a substantial shareholder
7/7/2022	Completion of Dispatch of Bidders Statement from ALQ
7/7/2022	Change in substantial holding from ALQ
7/7/2022	Ceasing to be a substantial shareholder from AEF
6/7/2022	Change of Director's Interest Notice
5/7/2022	Notice of Change of Interest of Substantial Holder from ALS
4/7/2022	Change of Director's Interest Notice
4/7/2022	Ceasing to be a substantial holder
4/7/2022	Notice of Change of Interest of Substantial Holder from ALQ
1/07/2022	Notice of Change of Interest of Substantial Holder from ALQ
1/07/2022	ALQ: Bidder's Statement
30/06/2022	Change of Director's Interest Notice x 2
30/06/2022	Ceasing to be a substantial holder
30/06/2022	Change in substantial holding
30/06/2022	ALQ: ALS enters into Bid Implementation Deed with HRL
30/06/2022	HRL Enters Into Bid Implementation Agreement With ALS
30/06/2022	Becoming a substantial holder from ALS
28/06/2022	Receipt of Non-Binding Indicative Offer from ALS Limited
28/06/2022	ALQ: Response to media speculation - HRL Holdings

Corporate directory

HRL Holdings Ltd

ACN 120 896 371
Level 12, 145 Eagle Street
Brisbane, Qld 4000
Telephone: +61 7 3105 5960
www.hrlholdings.com

Directors

Greg Kilmister (Non-executive chairman)
Steve Howse (Executive director)
James Todd (Non-executive director)
Richard Stephens (Non-executive director)
Alex White (Non-executive director)

Executive management

Steven Dabelstein (Chief executive officer)
Michael Harvey (Chief finance officer)
Paul Marshall (Company secretary)

Share registry

Link Market Services Limited
Level 21, 10 Eagle Street
Brisbane Qld 4000
Telephone: 1300 554 474

Lawyers

McCullough Robertson
Level 11, 66 Eagle Street
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Telephone: +61 7 3233 8888
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Auditors

BDO Audit Pty Ltd
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