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LEGAL PROCEEDINGS - UPDATE

The Board of Alliance Resources Limited (**Alliance**) is aware of shareholder interest in the status of current legal actions initiated by its wholly owned subsidiary, Alliance Craton Explorer Pty Ltd (**ACE**) against Quasar Resources Pty Ltd (**Quasar**), which is registered as the holder of a 75% interest in EL 5017 and ML 6402 (**Four Mile**) and acts as manager of that project, and its affiliate, Heathgate Resources Pty Ltd (**Heathgate**). The table below provides details of the two ongoing actions and will be updated regularly.

The litigation was initiated to protect both Alliance's and ACE's commercial interests. In taking these actions the Board was aware that litigation is complex and time consuming, particularly during the interlocutory stage when production and examination of documents, interviews with potential witnesses and preparation of trial books takes place and other procedural matters leading to trial occur. This stage is managed by the Courts through directions hearings.

Action	Description and Background	Status
<p>Misleading and deceptive conduct</p> <p>Jurisdiction Federal Court of Australia (Adelaide)</p>	<p>ACE is seeking damages from Heathgate and damages and restitution of the 75% interest in the exploration licence over the Four Mile from Quasar arising from Quasar's and Heathgate's failure to disclose to ACE information concerning the prospectivity of part of that tenement. ACE contends that Quasar engaged in misleading or deceptive conduct in contravention of section 52 of the <i>Trade Practices Act 1974</i> (Cth) and section 9 of the <i>Fair Trading Act 1999</i> (Vic) and that Heathgate assisted or participated in the contraventions committed by Quasar.</p> <p>ACE also contends that Quasar, with the assistance or participation of Heathgate, breached its obligations under the joint venture agreement, its fiduciary obligations owed to ACE and misused confidential information when Quasar sought, and obtained, a one-year extension of the earn-in period and, subsequently, the transfer of a 75% interest in the exploration licence.</p> <p>As the statement of claim contains confidential information which, under the joint venture agreement with Quasar, ACE is obliged not to disclose, the Court ordered that the statement of claim, the defences and replies be treated as confidential and are only available for inspection in redacted form.</p> <p>As a result of information which became available during the discovery process, ACE amended its statement of claim which was filed on 24 May 2013. The defences to the amended statement of claim were filed on 19 July 2013. ACE filed its replies on 26 August 2013.</p> <p>At the directions hearing held on 16 October 2013 the matter was set down for trial commencing 30 June 2014. The trial is expected to run for 5 weeks.</p>	<p>Filed on 12 July 2010</p> <p>Trial date: 30 June 2014</p>

Action	Description and Background	Status
<p data-bbox="167 629 363 837">Access to books, records and agreements pertaining to the Four Mile Joint Venture</p> <p data-bbox="177 936 354 1055">Jurisdiction Federal Court of Australia (Adelaide)</p>	<p data-bbox="391 331 1241 421">ACE issued proceedings against Quasar and Heathgate for an order, by way of pre-action discovery, giving ACE access to books, records and agreements pertaining to the Four Mile joint venture.</p> <p data-bbox="391 450 550 477">Background</p> <p data-bbox="391 506 1241 808">On 9 October 2009 ACE formally requested Quasar and Heathgate to provide ACE with access to joint venture documentation. While Quasar agreed to provide copies of some records, ACE considered its response to be inadequate. Alliance believes it should be permitted to have access to all joint venture documentation. Heathgate, which Alliance believes holds joint venture documents in its capacity as “proposed mine manager”, elected not to respond to the request. It is anticipated that access to the joint venture books, records and agreements will enable Alliance to analyse and better understand the original and revised programs and budgets for Four Mile.</p> <p data-bbox="391 837 1241 898">On 26 March 2012 orders were made refusing ACE's application. Reasons were handed down on 4 April 2012.</p> <p data-bbox="391 936 1241 1077">On 1 May 2012 ACE appealed that part of the decision dismissing ACE's application for disclosure of documents on the basis that they are jointly owned having been prepared by Quasar, as manager, on behalf of both itself and ACE. The appeal was heard on 19 and 20 November 2012 and the decision reserved.</p> <p data-bbox="391 1115 1241 1176">On 12 March 2013 ACE's appeal was dismissed with costs awarded to Quasar and Heathgate.</p> <p data-bbox="391 1211 1241 1294">On 9 April 2013 ACE lodged an application for special leave to appeal to the High Court of Australia. The application was heard on 11 September 2013 and refused with costs.</p>	<p data-bbox="1284 465 1449 555">Filed on 16 November 2009</p> <p data-bbox="1284 584 1449 674">Application refused on 26 March 2012</p> <p data-bbox="1273 741 1460 891">Appeal as to part of the decision heard 19 and 20 November 2012</p> <p data-bbox="1284 920 1449 1010">Appeal dismissed 12 March 2013</p> <p data-bbox="1268 1048 1465 1198">Application for special leave to appeal refused on 11 September 2013</p>