

27 August 2010

ASX Code: AGS

No. of pages: 3

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 3666 (Four Mile) and acts as manager of that project, and its affiliate, Heathgate Resources Pty Ltd (**Heathgate**). The table below provides details of each of the actions, the reasons these actions were undertaken and the current status. All four matters were initiated to protect both Alliance's and ACE's commercial interests.

The table will be updated as material developments occur.

Action	Description and Background	Status
<p>Misleading and deceptive conduct</p> <p>Jurisdiction Federal Court of Australia (Melbourne)</p>	<p>ACE is seeking damages from Heathgate and damages and restitution of the 75% interest in the exploration licence over the Four Mile area (EL 3666) 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. 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, by consent, the Court has ordered that the statement of claim and the defences and reply (which are yet to be filed) be treated as confidential until further order.</p> <p>Quasar and Heathgate must each file its defence by 10 September, 2010.</p>	<p>Filed on 12 July 2010</p> <p>The next directions hearing is set down for 1 October 2010</p>
<p>Recording JV Meetings</p> <p>Jurisdiction Supreme Court of South Australia</p>	<p>ACE issued proceedings Quasar in on 13 October 2009 in order to test its right to record proceedings of joint venture management committee meetings because it considered the written records of meetings prepared by Quasar to be inaccurate and not to properly reflect the matters, concerns and views expressed by ACE. ACE believes that a proper record is necessary to protect its legal and commercial interests.</p>	<p>Alliance has until 16 September 2010 to determine whether to appeal the decision of Sulan J</p>

Action	Description and Background	Status
	<p>The matter was heard 18 and 19 May and 9 and 10 June before Sulan J and judgment was delivered on 27 August 2010.</p> <p>Sulan J found that the law did not prohibit Alliance taping the meetings but that the chairman's ruling and the resolution of the management committee that meetings not be recorded were valid.</p>	
<p>Native Title Mining Agreement</p> <p>Jurisdiction Supreme Court of South Australia</p>	<p>On 12 November 2009 ACE issued proceedings against Quasar and Heathgate seeking:</p> <ul style="list-style-type: none"> • a declaration that Quasar exceeded and breached its authority, acted in breach of its fiduciary obligations and acted in breach of its contractual obligation of good faith in signing a native title mining agreement (NTMA) for the Four Mile Project in the form negotiated by Quasar; • a declaration that Heathgate knowingly participated in the breaches referred to above; • an order requiring Quasar and Heathgate to execute a deed, in a form previously submitted to Quasar, which places Alliance in substantially the position it would have been in had the NTMA related only to the Four Mile Project or, in the alternative a mandatory injunction requiring Quasar to commence negotiating a new native title agreement which relates only to Four Mile; and • damages and costs. <p>Background</p> <p>Acting as manager of the joint venture, Quasar purported to sign a NTMA on behalf of ACE and submitted it to Primary Industries and Resources South Australia (PIRSA) for registration on 12 June 2009. As the NTMA purports to subsume the existing native title mining agreement for Heathgate's Beverley mine, it exposes Alliance to potential cross liabilities for matters relating to Beverley. Further, it gave Heathgate the right to make decisions for the Four Mile joint venturers without reference to them.</p> <p>Neither ACE nor Alliance were consulted or involved in the negotiations with the native title holders. Alliance contends that Quasar was not duly authorised to execute the NTMA on behalf of ACE and, in doing so, exceeded its authority.</p> <p>In spite of repeated attempts by Alliance to achieve a mutually satisfactory resolution that would facilitate the timely registration of the NTMA the parties were unable to reach agreement.</p>	<p>Orders were made, by consent, on 27 July 2010 for further disclosure of documents.</p> <p>The next directions hearing is scheduled for 14 September 2010.</p>

Action	Description and Background	Status
<p>Access to books, records and agreements pertaining to the Four Mile Joint Venture</p> <p><u>Jurisdiction</u> Federal Court of Australia (Adelaide)</p>	<p>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>Background</p> <p>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>Proceedings issued on 16 November 2009</p> <p>Application heard on 22-23 February</p> <p>Awaiting judgment</p>