

19 December 2008

ASX Code: **AGS**

FOUR MILE URANIUM PROJECT CONTRIBUTION TO PROJECT DEVELOPMENT

HIGHLIGHTS

- **Alliance makes its first payment towards the cost of development of uranium mining at Four Mile East**
 - Payment amount: \$1,013,410
 - Production forecast by Quasar to commence in January 2010 and ramp up to 3Mlb per annum in three months

- **Alliance commissions expanded independent mineral resource study in accordance with the JORC Code**
 - Study to include an initial mineral resource estimate for Four Mile East and an updated mineral resource estimate for Four Mile West
 - Expanded study anticipated to be complete in 1st calendar Quarter 2009

- **Alliance commissions independent scoping study for Four Mile Uranium Project**
 - Study anticipated to be completed in 1st calendar Quarter 2009

The Four Mile Joint Venture Area is located 550 kilometres north of Adelaide in South Australia. Alliance holds a 25% participating interest in the joint venture.

Quasar Resources Pty Ltd (Quasar), an affiliate of Heathgate Resources Pty Ltd (Heathgate) which owns and operates the Beverley Uranium Mine located 8 kilometres southeast of the Four Mile Joint Venture Area, holds a 75% interest in the joint venture and is the manager of the project.

There are two mineralised zones within the joint venture area; Four Mile West and Four Mile East. Four Mile West has an Inferred Mineral Resource of 32 Mlb U₃O₈ in accordance with the JORC Code. Estimation of the mineral resource for Four Mile East is in progress.

In September 2008 Quasar Resources notified Alliance of its “decision to mine” and provided Alliance with a feasibility study recommending uranium mining using ISR mining technology, with production forecast to commence in January 2010 at a projected rate of 2.6 Mlb U₃O₈ per annum, increasing to 3 Mlb U₃O₈ per annum within three months.

DETAILS OF ANNOUNCEMENT

Four Mile Uranium Project Development

Contribution to Project Development

Alliance Resources Limited, on behalf of its subsidiary Alliance Craton Explorer Pty Ltd, (collectively Alliance) has paid an amount of \$1,013,410 towards the cost of development of the first stage mining area at Four Mile East. Alliance disputes the validity of the cash call made by Quasar and, in making the payment, has reserved all of its rights. The payment was made to preserve Alliance's participatory rights in the Four Mile project.

Under the EJVA, Quasar notified Alliance of its decision to mine in September 2008 and provided Alliance with a feasibility study (FS) compiled by URS, but generated internally by Heathgate and Quasar. The objective of the FS was to establish the basis on which Quasar rendered its decision to mine. While the FS met Quasar's obligations under the EJVA, it did not provide a sufficient quantity of independently verified information for Alliance as a publicly listed company. As such, Alliance must commission independent studies to determine/verify whether the proposed mine development programme and budget proposed by Quasar is fair and equitable and in the best interest of Alliance Shareholders.

Expanded Independent Mineral Resource Study

Quasar's FS included a uranium mineral resource estimate for the proposed first stage mining area at Four Mile East. As this estimate was not JORC compliant (and was not required to be for Quasar's purposes), Alliance has commissioned an independent study to estimate the mineral resource at Four Mile East in accordance with the JORC Code. In addition, the study has been expanded to include an updated mineral resource estimate at Four Mile West (FMW). The updated estimate at FMW will include additional drilling and assays results obtained by Quasar since the completion of the initial mineral resource estimate of 15,000 tonnes U₃O₈ as announced in May 2007. The initial resource estimate at FMW was in accordance with the JORC Code.

The expanded mineral resource study is being conducted by JORC Competent Persons Mr Andrew Bowden of GeoDec Consulting and Mr Ken Bampton of Ore Reserve Evaluation Services. The study is anticipated to be completed in the first calendar Quarter 2009, subject to the availability of necessary information from Quasar.

Independent Scoping Study

Alliance is also commissioning an independent scoping study for the Four Mile Uranium Project to determine capital and operating cost estimates for comparison with costs presented to Alliance by Quasar in its FS. This new study will also expand on certain areas of Quasar's conceptual mining studies including alternative mining methods analyses, additional options of utilising in situ recovery technology, and a determination of project net present value at different production rates.

The scoping study is anticipated to be completed in the first calendar Quarter 2009, subject to Quasar providing its consent to the disclosure of the relevant information to Alliance's consultants and making that information available to Alliance and its consultants in a timely manner.

For further information regarding this announcement, contact:

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About Alliance Resources

Further information relating to the Company and its various exploration projects can be found on the Company's website at www.allianceresources.com.au.

JORC Compliance Statement

The information in this report that relates to uranium Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Andrew Bowden who is a Chartered Geologist and Fellow of the Geological Society of London, a Recognised Overseas Professional Organisation included in a list promulgated by the ASX from time to time. Mr Andrew Bowden is employed by GeoDec Consulting and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Bowden consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

All other information in this report, including future proposals for development of the Four Mile Project and the information relating to Exploration Results, Mineral Resources or Ore Reserves for copper and gold is based on information compiled by Mr Stephen Johnston who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Johnston is a full-time employee of the Company and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Johnston consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.