

6 April 2009

ASX Code: **AGS**

HEADS OF AGREEMENT BETWEEN DRUMMOND GOLD LIMITED, ALLIANCE RESOURCES LIMITED AND A1 CONSOLIDATED PTY LIMITED

DETAILS OF ANNOUNCEMENT

The Directors of Drummond Gold Ltd (Drummond – ASX Code: DGO), Alliance Resources Limited (Alliance – ASX Code: AGS) and privately-owned A1 Consolidated Pty Ltd (A1) are pleased to announce they have today signed a Non Binding Heads of Agreement (Agreement) in which the parties will consider an acquisition by Drummond, of Maldon Resources Pty Ltd (Maldon), a wholly owned subsidiary of Alliance and Gaffney Creek Gold Mine (GCGM), a wholly owned subsidiary of A1.

Under the terms on the Agreement the parties will conduct valuation and due diligence on the assets of the respective companies and if agreed, Drummond will issue ordinary shares to A1 and Alliance in relative proportions established by the agreed valuations and undertake an equity raising for development, exploration and working capital. The terms and conditions of any transaction are subject to final agreement.

If the transaction contemplated by the Agreement proceeds, the merged entity will comprise a gold company with the following assets:

- The Maldon gold project in Victoria (historic primary production 1.75 million ounces, average grade 28 g/t), including a recently refurbished, operating CIL gold treatment plant and an advanced underground development project;
- Mineral resources of 272,545 ounces gold centred on the Mt Coolon mining district in the Drummond Basin of central Queensland, and
- The A1 gold mine near Gaffneys Creek in Victoria (historic primary production of >385,000 ounces, average grade >26g/t) and operated almost continuously from 1861 until 1992.

The merging of these companies will create a larger gold company focussed on:

- 100% owned production hub in central Victoria with potential for high-grade underground production from Maldon and A1 in the short to medium term respectively with potential to establish significant mineral resources, and
- The progression of a future production hub in the Mt Coolon district of the highly prospective Drummond Basin in Queensland with significant potential to increase the mineral resource inventory.

Maldon Gold Project

The Maldon Gold Project is located 30km southwest of Bendigo in central Victoria. The project comprises an operational CIL gold plant, currently processing purchased and third party ore, a fully maintained decline (1772 metres, 228 metres below surface) proximal to the Alliance South gold lode. During 2008 Alliance announced the decision to suspend underground mining operations at Maldon as a result of deteriorating global capital markets and the need to preserve the Company's cash for development of the Four Mile Uranium Project. Approximately 50 metres of cross cut development is required to access the northern part of the Alliance South lode structure before sill development to the south can occur.

For further information regarding this announcement, contact:

Patrick Mutz
Managing Director
ALLIANCE RESOURCES LIMITED

Email: info@allianceresources.com.au

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.

Reference to Joint Ore Reserves Committee (JORC) Code

The information in this report that relates to copper and gold Exploration Results, Mineral Resources or Ore Reserves 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 Alliances Resources Limited 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.