

26 May 2009

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<p style="text-align: center;">NOTICE TO OPTION HOLDERS NON-RENOUCEABLE RIGHTS ISSUE</p>

DETAILS OF ANNOUNCEMENT

- Letter sent to Option Holders regarding the Non-Renounceable Rights Issue

For further information regarding this announcement, contact:



Ian Pamensky
Company Secretary

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.



26 May 2009

[Name of Option holder]
[Address]
[Address]

Dear Option holder

NOTICE TO OPTION HOLDERS NON-RENOUCEABLE RIGHTS ISSUE

Alliance Resources Limited (Alliance or the Company) announced to the ASX on 26 May 2009 that it is undertaking a non-renounceable Rights Issue (Rights Issue) of approximately 26,224,024 fully paid ordinary shares (New Shares) at an issue price of 60 cents per New Share, to raise approximately A\$15.7 million (before costs), if fully subscribed.

The Rights Issue entitles shareholders in the Company with a registered address in Australia and New Zealand (Eligible Shareholders) as at 5pm (AEST) on the Record Date of 4 June 2009 to subscribe for one New Shares for every twelve (1:12) fully paid ordinary shares (Shares) held at an issue price of 60 cents per New Share.

The Rights Issue follows a very successful share placement made to institutional and sophisticated investors (Placement). The Company announced on 26 May 2006 a placement of approximately 41 million shares (Placement Shares) at 68 cents each to raise approximately A\$27.9 million. The Placement is being undertaken pursuant to the "excluded offer" provisions (Section 708) of the Corporations Act 2001(Cth). The issue of the Placement Shares is within the Company's existing 15% share issue capacity. The holders of Placement Shares, who are Eligible Shareholders on the Record Date, will be entitled to participate in the Rights Issue.

The prospectus in relation to this Rights Issue (Prospectus), which was lodged with ASIC and ASX on 27 May 2009, will be sent to all Eligible Shareholders, together with an Entitlement and Acceptance Form, on 11 June 2009. A copy of the Prospectus is also available on the ASX website and the Company's website. Full details of the terms and conditions of the Rights Issue are contained within the Prospectus.

The proceeds of the Rights Issue and Placement, being approximately \$43.6 million (before issue costs), will be principally used to:

- Provide working capital at the Four Mile Uranium Joint Venture in South Australia to satisfy the Company's share of project development and operating costs for uranium concentrate production, scheduled to commence in early 2010;
- Provide working capital at the Company's Maldon gold project in Victoria;



- Provide working capital for exploration and associated activities at the Company's Warrina copper-gold Project in South Australia and East Frome copper-gold-base metals Project in NSW;
- Project generation;
- Business development, including costs associated with the potential de-merger of non-core assets; and
- General working capital and administration costs, including the costs of the Issue.

To exercise your options and thereby participate in the Rights Issue you will need to check that your options are currently exercisable under the terms of your granted options before you can participate in the Rights Issue.

To exercise your options you will need to deliver to the registered office of the Company the following:

1. a notice in writing to the directors of the Company specifying the number of options to be exercised;
2. your option certificate covering that number of options; and
3. payment for the exercise price for those options by way of a cheque made payable to "Alliance Resources Limited".

Each share allotted as a result of the exercise of an option will rank pari passu with all other issued ordinary shares of the Company.

If you wish to participate in the Rights Issue as a consequence of being an option holder, you will need to exercise your options by 5 pm (AEST) on the record date of 4 June 2009.

For further information please contact Ian Pamensky on 03 9697 9090 or Alliance's share register - Computershare on 1300 752 197 (within Australia) or +61 3 9415 4664 (outside Australia)

Yours faithfully

A handwritten signature in black ink, appearing to read "Ian Pamensky", is written over a light blue horizontal line.

Ian Pamensky
COMPANY SECRETARY