

23 June 2009

ASX Code: **AGS**

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

DETAILS OF ANNOUNCEMENT

Alliance Resources Limited (Alliance – ASX Code: AGS) advises that the private company A1 Consolidated Pty Ltd (A1) has indicated that it will not proceed with the merger proposal that was contained in the non-binding Heads of Agreement (Agreement) between Alliance, Drummond Gold Limited (Drummond – ASX Code: DGO) and A1 in which the parties have been considering the acquisition by Drummond of Maldon Resources Pty Ltd, a subsidiary of Alliance and Gaffney Creek Gold Mine, a wholly owned subsidiary of A1.

Alliance and Drummond will continue to consider the acquisition of Maldon Resources Pty Ltd by Drummond, on terms substantially similar to those set out in the Heads of Agreement announced by Alliance and Drummond on 6 May 2009.

For further information regarding this announcement, contact:

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ALLIANCE RESOURCES LIMITED**

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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.