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FOUR MILE PROJECT - UPDATE

Alliance Resources Limited (**Alliance**), through its wholly owned subsidiary, Alliance Craton Explorer Pty Ltd (**ACE**), today issued proceedings in the Supreme Court of South Australia against Quasar Resources Pty Ltd (**Quasar**) and Heathgate Resources Pty Ltd (**Heathgate**) seeking:

1. 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 for the Four Mile Project (**NTMA**) in the form negotiated by Quasar;
2. a declaration that Heathgate knowingly participated in the breaches referred to above;
3. 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
4. damages and costs.

As announced in the Quarterly Report for September, Quasar, acting as manager of the joint venture, submitted the NTMA, titled "Beverley Four Mile Agreement", to Primary Industries and Resources South Australia (**PIRSA**) for registration in accordance with Part 9B of the *Mining Act 1971 (SA)* on 12 June 2009. Registration of the NTMA is the final statutory requirement before the South Australian Government can offer the joint venture a mining lease.

The NTMA subsumes the existing native title agreement for Heathgate's Beverley mine (giving rise to potential liability to Alliance for matters pertaining to Beverley) and gives Heathgate the right to make decisions for the mining proponents, including those relating to Four Mile.

Neither ACE nor Alliance were invited to participate in or were involved in the negotiations with the native title holders and neither were a signatory to the NTMA. Quasar, as manager of the joint venture, purported to sign the NTMA on behalf of ACE. Alliance contends that Quasar was not duly authorised to execute the NTMA on behalf of ACE and, in doing so, exceeded its authority.

As the NTMA has not been registered, a mining lease cannot be offered to the joint venture at this time and, therefore, on-site construction at Four Mile cannot commence.

In spite of repeated attempts by Alliance to achieve a mutually satisfactory resolution that would facilitate the timely registration of the NTMA, Quasar has refused to agree on documentation that satisfies both Alliance's concerns and PIRSA's requirements for registration of the NTMA.

Alliance has informed the Government of South Australia of its position regarding NTMA registration. Alliance has also reiterated to the Government of South Australia its commitment to see the Four Mile Project come on stream at the earliest possible opportunity.

ASX ANNOUNCEMENT

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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.