

12 July 2010

## FEDERAL COURT ACTION AGAINST QUASAR RESOURCES PTY LTD AND HEATHGATE RESOURCES PTY LTD

Alliance Craton Explorer Pty Ltd (**ACE**), a wholly owned subsidiary of Alliance Resources Ltd (**Alliance**), has today instituted proceedings in the Federal Court of Australia (Victorian Registry) against Quasar Resources Pty Ltd (**Quasar**) and Heathgate Resources Pty Ltd (**Heathgate**).

Quasar, which is a subsidiary of the US based General Atomic Technologies Corporation, is party to a joint venture agreement with ACE under which exploration and more recently development work has been undertaken at the Four Mile uranium project in South Australia.

Heathgate is also a subsidiary of General Atomic Technologies Corporation.

ACE is seeking damages and restitution from Quasar of the 75% interest in the exploration licence over the Four Mile area (EL 3666) arising from Quasar's and Heathgate's failure to disclose information concerning the prospectivity of part of that tenement.

ACE contends that Quasar engaged in misleading or deceptive conduct in contravention of section 52 of the *Trade Practices Act 1974* (Cth) and section 9 of the *Fair Trading Act 1999* (Vic) and that Heathgate assisted or participated in the contraventions committed by Quasar.

ACE also contends that Quasar - with the assistance or participation of Heathgate - breached its obligations under the joint venture agreement, its fiduciary obligations owed to ACE and misused confidential information when Quasar sought, and obtained, a one-year extension of the earn-in period and, subsequently, the transfer of a 75% interest in the exploration licence.

ACE is taking this action in order to protect its rights and the longer-term interests of its stakeholders including Alliance's shareholders, the Australian and South Australian Governments and indigenous Native Title holders.

Alliance is committed to the development of the Four Mile project. Four Mile is an outstanding resource development project that, when on stream, will rank amongst the top 10 producing uranium mines in the Western world and deliver outstanding economic benefits to South Australia and the nation.

In the interests of seeking to maximize the full benefit of the project for its stakeholders, Alliance commissioned an independent Scoping Study to estimate the capital cost of the design, procurement and construction of a stand-alone uranium processing facility at Four Mile. The final version of the Scoping Study is expected shortly and details will be released to the ASX.

Based on preliminary information it has received in relation to that Scoping Study, the Board has agreed to commence an optimization study for the construction of a stand-alone processing plant at Four Mile.

# ASX ANNOUNCEMENT

Alliance will continue to advance its stakeholders' interests by ensuring this important resource project comes to fruition in a manner that delivers full value.

Further details of remedies being sought by Alliance are set out in the attachment to this announcement.

Further information relating to the Company and its various exploration projects can be found on the Company's website at [www.allianceresources.com.au](http://www.allianceresources.com.au).

**Steve Johnston**  
**Chief Executive Officer**

## ATTACHMENT

### FEDERAL COURT ACTION AGAINST QUASAR RESOURCES PTY LTD AND HEATHGATE RESOURCES PTY LTD

ACE is seeking relief from the Federal Court of Australia including:

- A declaration that Quasar engaged in conduct that was misleading or deceptive or likely to mislead or deceive in contravention of section 52 of the *Trade Practices Act* and section 9 of the *Fair Trading Act*.
- A declaration that Heathgate was involved in the contravention by Quasar of section 52 of the *Trade Practices Act* and section 9 of the *Fair Trading Act*.
- A declaration that Heathgate engaged in conduct in trade or commerce that was misleading or deceptive or likely to mislead or deceive in contravention of section 52 of the *Trade Practices Act* and section 9 of the *Fair Trading Act*.
- The cancellation or setting aside *ab initio* of that part of the agreement dated 29 September 2004 between ACE and Quasar that varied the joint venture agreement of 30 August 2002 that gave Quasar the right to earn a 75% interest in Exploration Licence 2874 (now EL 3666).
- A declaration that Quasar holds the 75% interest in EL 3666 on trust for ACE and an order that Quasar transfer that interest to ACE.
- An account of profits, benefits and gains obtained or received by Quasar by reason of its breaches of fiduciary obligations and an order that Quasar either pay such sums to the ACE or an order that ACE has a lien over the 75% interest in the licence held by Quasar to secure payment of the amount awarded.
- Damages under the provisions of section 82 of the *Trade Practices Act* and section 159 of the *Fair Trading Act* comprising the amount of the loss or damage suffered by ACE due to the conduct of Quasar.
- Damages under the provisions of sections 82 and/or section 87(1) and (1A) of the *Trade Practices Act* and sections 158 and 159 of the *Fair Trading Act*.
- An order declaring certain clauses of the agreement dated 29 September 2004 between ACE and Quasar which varied the joint venture agreement dated 30 August 2002 void *ab initio*.
- An order declaring the transfer by ACE to Quasar of a 75% interest in Exploration License 2874 (now EL3666) void *ab initio*.
- An order directing Quasar to return the 75% interest in EL 3666 to ACE and transfer that interest to ACE.
- Damages for breach of the joint venture agreement dated 30 August 2002.