

18 May 2011

ASX Code: AGS

No. of pages: 4

LEGAL PROCEEDINGS - UPDATE

Please find attached a copy of the Alliance Resources Limited's (AGS), legal proceedings update. Future updates will be made on the Alliance website.

For and on behalf of the Board.



Ian Pamensky
Company Secretary

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.

16 May 2011

ASX Code: AGS

No. of pages: 3

LEGAL PROCEEDINGS - UPDATE

The Board of Alliance Resources Limited (**Alliance**) is aware of shareholder interest in the status of current legal actions initiated by its wholly owned subsidiary, Alliance Craton Explorer Pty Ltd (**ACE**) against Quasar Resources Pty Ltd (**Quasar**), which is registered as the holder of a 75% interest in EL 3666 (**Four Mile**) and acts as manager of that project, and its affiliate, Heathgate Resources Pty Ltd (**Heathgate**). The table below provides details of each of the actions, the reasons these actions were undertaken and the current status. The table will be updated regularly.

These matters were initiated to protect both Alliance's and ACE's commercial interests. In taking these actions the Board was aware that litigation is complex and time consuming, particularly during the interlocutory stage when production and examination of documents, interviews with potential witnesses and preparation of trial books takes place and other procedural matters leading to trial occur. This stage is managed by the Courts through directions hearings. While the Board has instructed its legal counsel to do all in their power to ensure these actions proceed in a timely manner it will, inevitably, be some time before all preliminary matters are resolved and a trial date is set by the Court.

In addition to the proceedings initiated by ACE, on 30 November 2010 Quasar issued proceedings seeking an order that the Mining Registrar (SA) register the native title mining agreement for Four Mile which was lodged with the Registrar, but rejected by her, on 12 May 2010. ACE is named as a defendant in those proceedings although no orders are sought against it. On ACE's application the Court has determined that this case will be Judge managed in common with ACE's action concerning the native title agreement.

Action	Description and Background	Status
<p>Misleading and deceptive conduct</p> <p>Jurisdiction Federal Court of Australia (Adelaide)</p>	<p>ACE is seeking damages from Heathgate and damages and restitution of the 75% interest in the exploration licence over the Four Mile from Quasar arising from Quasar's and Heathgate's failure to disclose to ACE 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 <i>Trade Practices Act 1974</i> (Cth) and section 9 of the <i>Fair Trading Act 1999</i> (Vic) and that Heathgate assisted or participated in the contraventions committed by Quasar.</p> <p>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.</p> <p>As the statement of claim contains confidential information which, under the joint venture agreement with Quasar ACE is obliged not to disclose, by consent, the Court has ordered that the statement of claim and the defences and reply be treated as confidential until further order.</p>	<p>Filed on 12 July 2010</p> <p>The directions hearing adjourned on 12 May 2011 is expected to resume on a date to be fixed in the first week of August 2011</p>

Action	Description and Background	Status
	<p>ACE has applied to the Court for:</p> <ul style="list-style-type: none"> (i) leave to interrogate (that is, have questions answered on oath) Heathgate and Quasar, (ii) an order that Heathgate and Quasar provide complete copies of documents that have been provided to ACE wholly or with certain passages concealed (or redacted), (iii) an order that Heathgate and Quasar provide ACE with further documents which ACE considers to be relevant to the proceedings. <p>The application for leave to interrogate was heard by the Court on 4 March and judgment has been reserved. Agreement was reached on the provision of redacted documents and the application for further discovery was part heard on 12 May 2011 but adjourned to allow written submissions to be made. That directions hearing is expected to resume on a date to be fixed in the first week of August..</p>	
<p>Native Title Mining Agreement</p> <p><u>Jurisdiction</u> Supreme Court of South Australia</p>	<p>On 12 November 2009 ACE issued proceedings against Quasar and Heathgate seeking:</p> <ul style="list-style-type: none"> • 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 (NTMA) for the Four Mile Project in the form negotiated by Quasar; • a declaration that Heathgate knowingly participated in the breaches referred to above; • 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 • damages and costs. <p>Background</p> <p>Acting as manager of the joint venture, Quasar purported to sign a NTMA on behalf of ACE and submitted it to Primary Industries and Resources South Australia (PIRSA) for registration on 12 June 2009. As the NTMA purports to subsume the existing native title mining agreement for Heathgate's Beverley mine, it exposes Alliance to potential cross liabilities for matters relating to Beverley. Further, it gave Heathgate the right to make decisions for the Four</p>	<p>ACE's outstanding applications were heard on 29 April 2011 and judgement is reserved. No date has been set for the next directions hearing.</p>

Action	Description and Background	Status
	<p>Mile joint venturers without reference to them.</p> <p>At the directions hearing on 23 December 2010 ACE foreshadowed an application to amend the proceedings to cover a native title agreement executed by Quasar and lodged with PIRSA on 12 May 2010 (being the agreement the subject of Quasar's application for an order against the Mining Registrar). ACE is also seeking: to have the hearing of the substantive issues heard separately, and ahead of, any hearing as to the quantum of damages; and production of legal advices over which legal professional privilege has been claimed. These applications were heard on 29 April 2011 and judgement has been reserved.</p> <p>Neither ACE nor Alliance were consulted or involved in the negotiation of either native title agreement with the native title holders. Alliance contends that Quasar was not duly authorised to execute either NTMA on behalf of ACE and, in doing so, exceeded its authority.</p> <p>In spite of repeated attempts by Alliance to achieve a mutually satisfactory resolution that would facilitate the timely registration of the NTMA the parties have been unable to reach agreement.</p> <p>On 10 March orders were made referring both matters to White J for management to trial.</p>	
<p>Access to books, records and agreements pertaining to the Four Mile Joint Venture</p> <p><u>Jurisdiction</u> Federal Court of Australia (Adelaide)</p>	<p>ACE issued proceedings against Quasar and Heathgate for an order, by way of pre-action discovery, giving ACE access to books, records and agreements pertaining to the Four Mile joint venture.</p> <p>Background</p> <p>On 9 October 2009 ACE formally requested Quasar and Heathgate to provide ACE with access to joint venture documentation. While Quasar agreed to provide copies of some records, ACE considered its response to be inadequate. Alliance believes it should be permitted to have access to all joint venture documentation. Heathgate, which Alliance believes holds joint venture documents in its capacity as "proposed mine manager", elected not to respond to the request. It is anticipated that access to the joint venture books, records and agreements will enable Alliance to analyse and better understand the original and revised programs and budgets for Four Mile.</p>	<p>Proceedings issued on 16 November 2009</p> <p>Application heard on 22-23 February 2010</p> <p>Awaiting judgment</p>