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FOUR MILE PROJECT – LITIGATION SETTLEMENT

On 30 June 2014 Alliance Resources Limited (**Alliance**) announced that it had entered into a confidential settlement agreement with Quasar Resources Pty Ltd (**Quasar**) and Heathgate Resources Pty Ltd (**Heathgate**) to settle the Federal Court proceedings concerning the Four Mile Project.

The course was taken by the Board once all evidence (including all parties' expert reports) became available and after consultation with Senior Counsel. The terms of the settlement were not considered to be material.

The Alliance Board's initial view was that, in the context of the underlying asset value of the Company, the settlement did not have a material impact on the financial position of the Company.

However, Alliance's auditor has now advised that, for accounting purposes, the amounts payable to Quasar and Heathgate, are material for the profit and loss account.

Accordingly, the Board has decided to disclose that, as part of the terms of settlement, Alliance Craton Explorer Pty Ltd agreed to contribute a one off amount of \$1,610,990.75 towards costs incurred in the proceeding by Quasar and a one-off amount of \$2,946,000.00 towards costs incurred by Heathgate.

For and on behalf of the Board.

Steve Johnston
Managing Director