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Australian Stock Exchange & AIM
17 September 2009

Toronto Stock Exchange
16 September 2009

ALLIED GOLD TO MAKE AGREED TAKEOVER OFFER FOR ASG

BRISBANE, Queensland - Allied Gold Limited (**Allied Gold**) and Australian Solomons Gold Limited (**ASG**) today announce that Allied Gold will make an agreed off-market takeover offer through a wholly owned subsidiary for all of the issued shares of ASG pursuant to the Corporations Act and Canadian securities laws (the **Offer**).

Allied Gold's Executive Chairman, Mark Caruso, said: "A combination of these two organisations will deliver significant value to both sets of shareholders, creating a company with 2.2M ounces of reserves and 6.7M ounces of resources and a near term production profile in excess of 300,000oz p.a. by 2013 financial year, through Allied Gold's planned organic oxide and sulphide expansions and the Gold Ridge project development. Investors will have exposure to a portfolio of high quality gold assets with exploration upside and significant production within the Pacific Rim."

ASG's Chairman, Stephen Everett, said: "The Offer represents an opportunity for ASG shareholders to be exposed to a larger company with a producing gold mine while retaining material exposure to the Gold Ridge project."

Key terms of the Offer:

- ASG shareholders will receive 0.85 Allied Gold shares for every one ASG share they own.
- The Offer implies a value of C\$0.403 per ASG shares based on the closing price of Allied Gold shares on 16 September 2009 at a spot AUD/CAD exchange rate of A\$1 = C\$0.930.
- The Offer represents a premium of 9% to the closing price of ASG shares on 15 September 2009 and is 35% higher than ASG's volume weighted average price for the past one month.
- The Offer is subject to Allied Gold receiving acceptances for 50.1% or more of the shares in ASG.
- Allied Gold intends to seek a listing on the Toronto Stock Exchange (refer below).
- All conditions to the Offer are set out in the Annexure.

Support for the Offer

Based upon the intention of ASG's major shareholder, Resource Capital Fund III L.P. (**RCF**), to accept the Offer and an independent report from Gryphon Partners, the Independent Directors¹ of ASG intend to unanimously recommend that ASG shareholders accept the Offer in the absence of a superior proposal. Subject to a superior proposal, all of the Independent Directors of ASG intend to accept the Offer in respect of all ASG shares each Director holds or controls.

ASG has received a fairness opinion from Gryphon Partners confirming that the consideration payable to ASG shareholders under the Offer is fair from a financial point of view to ASG shareholders.

Allied Gold and ASG have entered into a support agreement in relation to the Offer which includes customary deal protections including commitments from ASG to support the offer (in the absence of a superior proposal) and a break fee of A\$300,000 payable in the event of a competing proposal succeeding or being recommended by any of the Independent Directors.

In addition, Allied Gold has entered into an agreement with RCF in respect of 19.9% of ASG's issued shares (the **Acceptance Shares**).

RCF has undertaken to accept the Offer to the extent of the Acceptance Shares within 3 business days of the Offer being made to ASG shareholders and has undertaken not to withdraw this acceptance. RCF has also publicly stated that it will accept the Offer for the balance of its ASG shares (which total approximately 29% of ASG's issued shares) and will not withdraw that acceptance unless a superior proposal emerges or in certain other circumstances.

Transaction Benefits

Allied Gold and ASG believe the combination will deliver significant benefits for both Allied Gold and ASG shareholders, including:

- Emerging producer status in prospective Pacific Rim region;
- Diversified portfolio of operating, development and exploration assets;
- Enhanced production profile;
- Large reserve and resource base;
- Increased capability to finance the Gold Ridge project;
- Material operating synergies; and
- Increased investor relevance.

Allied Gold intends to apply for a listing of its shares on the Toronto Stock Exchange (**TSX**) and has taken preliminary steps in connection with a listing application. Listing on the TSX will be subject to Allied Gold fulfilling all of the listing requirements of the TSX. There is no

¹ The Independent Directors do not include the representatives of RCF on the board of ASG.

assurance that listing on the TSX will occur. If Allied Gold is successful in listing on the TSX, ASG shareholders who accept the Offer will continue to hold a security that is listed on the TSX.

Background to the Proposed Combination

Allied Gold is a public company, incorporated in Australia and listed on Australian Stock Exchange and AIM, with 100% ownership of the operating Simberi Oxide Gold Project, situated on the northern most island of the Tabar Islands Group in the New Ireland Province of eastern Papua New Guinea. Allied Gold's other assets include 100% of the exploration licence on the nearby Tatau and Big Tabar islands, subject to a farm-out agreement with Barrick Gold Corporation, as well as gold and silver exploration interests in Mexico.

During the 12 month period ended 30 June 2009, Allied Gold produced 73 koz gold at an average operating cash cost of A\$651/oz (around US\$490/oz). As at 30 June 2009, the company was in a strong financial position with A\$20.5m in cash on hand and no bank debt.

Allied Gold's strategy is to add to the gold inventory on Simberi Island by defining additional resources and conversion of these and known resources into reserves. The company's goal is to expand annualised gold production to greater than 200,000 ounces by the 2013 financial year. With the recent and ongoing exploration success on Simberi Island, Allied Gold is assessing the economics and timing of a potential oxide plant expansion from 2.2Mtpa to around 3.0Mtpa, which will assist the company in achieving this goal.

ASG is a public company, incorporated in Australia and listed on the Toronto Stock Exchange. ASG's principal asset is the Gold Ridge development project, a former producing mine, located on Guadalcanal in the Solomon Islands. The mine operated from August 1998 to June 2000 and produced approximately 210,000oz gold during this period. ASG acquired the project in May 2005 and has completed a feasibility study to redevelop the project.

ASG has been pursuing funding for the Gold Ridge Project, with production currently planned to commence in the first quarter of calendar 2011.

If the Offer is successful, the operations of ASG will be merged into that of Allied Gold to form a larger, more diversified gold production and exploration company with material mining interests in the Pacific Rim. Allied Gold would, as a priority, pursue the re-development plans for the Gold Ridge project, drawing on Allied Gold's experience and track record in commissioning new mines in remote locations.

Next Steps

Allied Gold expects to lodge its offer document with ASG, and then to deliver the offer documents, shortly, with the Offer to close around mid November (unless extended).

ASG will prepare and send its target's statement (directors' circular) to ASG shareholders within 15 days of Allied lodging its offer document. This will include the fairness opinion from

Gryphon Partners confirming that the consideration payable to ASG shareholders under the Offer is fair from a financial point of view to ASG shareholders.

Commenting on the Offer, Allied Gold's Executive Chairman, Mark Caruso, said today:

"Given the unanimous support of the ASG Board for the transaction and the pre-bid agreement entered into with RCF, a 49% shareholder in ASG, we are extremely confident Allied Gold will achieve majority ownership of ASG.

"Allied Gold is a natural owner of the Gold Ridge mine and brings an operational track record and significant experience in developing gold assets in the region.

"We encourage all ASG shareholders to accept the Offer, which provides a number of strong benefits to ASG shareholders. We look forward to seeking listing on TSX and to continuing the development of Allied Gold as a world class gold producer."

ASG Chairman, Stephen Everett, added:

"With recent volatility in financial markets, it has been difficult for ASG as a single project company to raise the necessary financing to accelerate the re-development of the highly promising Gold Ridge Project.

"The Offer provides an opportunity for ASG shareholders to receive value for their investment while providing enhanced development prospects for Gold Ridge. The Offer is expected to benefit all stakeholders in the Company including importantly the Solomons Islands and its local communities.

"I encourage ASG shareholders to tender their shares to the Offer which enables them to retain exposure to the successful development of Gold Ridge, while providing immediate ownership in an emerging regional producer."

Allied Gold is being advised by Gresham Advisory Partners Limited, Clayton Utz and Wildeboer Dellelce LLP in relation to the transaction. ASG is being advised by Herbert Geer (Brisbane), Blakes, Cassels & Graydon LLP (Vancouver) and Gryphon Partners (Toronto).

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Annexure – Offer Conditions

1. Minimum tender condition

At or before the end of the Offer Period there will have been validly deposited under the Offer and not withdrawn at the end of the Offer Period that number of ASG Shares which, together with the ASG Shares owned, directly or indirectly, by Allied, constitutes at least 50.1% of the outstanding ASG Shares (by number, calculated on a fully diluted basis).

2. Regulatory approvals and actions by Governmental Entities

- (a) Before the end of the Offer Period, Allied receives all necessary regulatory approvals or consents in relation to the acquisition of 100% of ASG and its subsidiaries on an unconditional basis and/or all required regulatory waiting periods have expired.
- (b) Before the end of the Offer Period all government or regulatory approvals (including the Appropriate Regulatory Approvals), waiting or suspensory periods, waivers, permits, consents, reviews, orders, rulings, decisions and exemptions required by law, policy or practice (other than as referred to in paragraph (d) below) (including those of any provincial securities authorities, stock exchanges or other securities regulatory authorities) in connection with the Offer shall have been obtained, received or concluded on an unconditional basis or, in the case of waiting or suspensory periods, expired or been terminated.
- (c) Before the end of the Offer Period, the Government of the Solomon Islands engages in substantive discussions with Allied in relation to Allied's proposed acquisition of ASG, and states to Allied that:
 - (i) it has no objection to the acquisition by Allied of up to 100% of ASG; and
 - (ii) so far as the Government of the Solomon Islands is aware ASG's tenure to Mining Lease 1/1997 for the full term of 22 years and right to extension for a further 10 years, tenure to the Special Prospecting Lease of 130 square kilometres and tenure to all other material permits in relation to the Gold Ridge Project required to undertake activities in the ordinary course of business and in accordance with good mining practices are not in default or subject to forfeiture, cancellation or the imposition of conditions that would have a materially adverse effect on the conduct of the Gold Ridge Project.
- (d) Before the end of the Offer Period no act, action, suit or proceeding shall have been taken before or by any Governmental Entity (including by any individual, company, firm, group or other entity), whether or not having the force of law, and no law shall have been proposed, amended, enacted, promulgated or applied, in either case:
 - (i) to cease trade, enjoin, prohibit or impose material limitations, damages or conditions on the purchase by or the sale to Allied of the ASG Shares or the right of Allied to own or exercise full rights of ownership of the ASG Shares; or

- (ii) which would reasonably be expected to have an ASG Material Adverse Effect or, if the Offer were consummated, an Allied Gold Material Adverse Effect; or
 - (iii) which would materially and adversely affect the ability of Allied to proceed with the Offer and/or take up any pay for any ASG Shares deposited under the Offer; or
 - (iv) seeking to obtain from Allied or any of its subsidiaries or ASG or any of its subsidiaries any material damages directly or indirectly in connection with the Offer; or
 - (v) seeking to prohibit or limit the ownership or operation by Allied of any material portion of the business or assets of ASG or its subsidiaries or to compel Allied or its subsidiaries to dispose of or hold separate any material portion of the business or assets of ASG or any of its subsidiaries as a result of the Offer.
- (e) Before the end of the Offer Period, no Governmental Entity:
- (i) makes any finding, preliminary or final decision, order or decree against ASG or any of its subsidiaries or fines or otherwise penalises ASG or any of its subsidiaries; or
 - (ii) institutes any action or investigation; or
 - (iii) announces, commences or threatens any action or investigation,
- which has or may have a material adverse financial effect on the business, assets, liabilities, financial or trading position, profitability or prospects of ASG or any of its subsidiaries.
- (f) At the end of the Offer Period there is not any prohibition at law against Allied making the Offer or taking up and paying for any ASG Shares deposited under the Offer.
- (g) All necessary orders, authorisations or consents which are required under all applicable securities laws and rules and policies of the ASX and AIM for the offering, issuance and listing of the Allied Shares under the Offer on usual conditions have been granted.

3. **Conduct of business**

Between the Announcement Date and the end of the Offer Period (each inclusive) ASG or any Related Entity of ASG have not done any of the following:

- (a) **(licences and permits)**: doing or omitting to do anything that causes or is reasonably likely to cause any licence or permit necessary or desirable for the conduct of its business to be suspended, revoked, cancelled or otherwise materially adversely impacted;
- (b) **(acquisition of assets)**: acquiring (including by way of subscription for equity), offering to acquire, agreeing to acquire, leasing, or entering into a binding commitment, or granting a person an irrevocable option to require it, to acquire or lease any asset for a consideration of greater than A\$100,000, or making an announcement in relation to such an acquisition, offer or agreement;

- (c) **(disposal of assets)**: leasing, sub-leasing or disposing of, offering to lease or sub-lease or dispose of, agreeing to lease or sub-lease or dispose of or granting a person an irrevocable option to require it to lease or sublease or dispose of any asset (including any shares held by ASG or a Related Entity of ASG) (or any interest in one or more assets) for a consideration of greater than A\$100,000, or making an announcement in relation to such a lease, sublease, disposition, agreement or option, other than inventory in the ordinary course of business;
- (d) **(financial indebtedness)**: increasing its level of financial indebtedness (including financial liabilities incurred under finance leases), other than in the ordinary and usual course of business, by an amount in excess of A\$100,000;
- (e) **(capital expenditure)**: making capital expenditure in excess of the amount in the cash flow projection provided by ASG to Allied in aggregate;
- (f) **(joint venture or partnership)**: entering into a joint venture, partnership or other similar arrangement;
- (g) **(dividend or distribution)**: ASG declaring, paying or distributing any dividend, bonus or other share of its profits or assets or returning or agreeing to return any capital to its members;
- (h) **(encumbrance)**: creating, or agreeing to create, any mortgage, charge, lien or other encumbrance over the whole, or a substantial part, of its business or property;
- (i) **(prosecution or litigation)**: is or becomes a party to any material prosecution, litigation or arbitration other than as a plaintiff or applicant, in respect of ASG or any of its subsidiaries or their respective business or assets that exposes ASG or the subsidiary to a potential liability exceeding A\$100,000 (including legal costs) or having a material effect on the business of ASG or any of its Related Entities, not including litigation that is initiated or instigated by Allied or any of its subsidiaries; or
- (j) **(employee arrangements)** does not vary the terms of any employee or company office arrangements.

4. **No ASG Material Adverse Effect**

None of the following occurs, has been announced or becomes known to Allied:

- (a) an event, change, condition, matter or thing occurs;
- (b) information is disclosed or announced by ASG or any of its subsidiaries concerning any event, change, condition, matter or thing; or
- (c) information concerning any event, change, condition, matter or thing becomes known to Allied (whether or not becoming public),

which (either alone or in combination with any other item falling within the above) will have, could reasonably be expected to have or which evidences that there has been an ASG Material Adverse Effect.

Condition 4 is deemed to be breached if:

- (i) Allied becomes aware prior to the end of the Offer Period, that ASG has materially breached its obligations under Canadian securities laws or applicable stock exchange requirements; and
- (ii) had Allied known of the information giving rise to such breach prior to the Announcement Date it would have had a material adverse effect on the price at which Allied would have offered under the Takeover Bid.

5. **No material change of control rights**

Between the Announcement Date and the end of the Offer Period (each inclusive), there is no person or persons (other than EIB or IFC) having any rights or being entitled to have any rights as a result of any change of control event in respect of ASG (including Allied acquiring shares in ASG) or any of its subsidiaries or assets, to:

- (a) terminate or alter any contractual relations between any person and ASG or any of its subsidiaries (for this purpose an alteration includes without limitation an alteration of the operations of a contract, whether or not that altered operation is provided for under the existing terms of the contract);
- (b) require the termination, modification or disposal (or offer to dispose) of any interest or asset, corporate body, joint venture or other entity; or
- (c) accelerate or adversely modify the performance of any obligations of ASG or any of its subsidiaries under any agreements, contracts or other legal arrangement,

provided that this condition 5 will only be breached to the extent that the relevant rights or entitlements in paragraphs (a), (b) or (c) if exercised or carried out would singly or cumulatively have a material adverse financial effect on ASG or any of its subsidiaries.

6. **Gold Price**

Between the Announcement Date and the end of the Offer Period (each inclusive), the gold price stated on COMEX is not less than US\$800 per ounce on three successive days of gold trading on NYMEX.

7. **No untrue statements to CSA or ASIC**

Allied does not become aware of any untrue statement of a material fact, or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made and at the date it was made (after giving effect to all subsequent filings in relation to all matters covered in earlier filings), in any public document filed by or on behalf of ASG with any securities commission or similar securities regulatory authority in any of the provinces or territories of Canada or elsewhere, that constitutes an ASG Material Adverse Effect.

8. **No prescribed occurrences**

None of the following events happens before the end of the Offer Period:

- (a) ASG converts all or any of its shares into a larger or smaller number of shares;

- (b) ASG or a subsidiary of ASG resolves to reduce its share capital in any way;
- (c) ASG or a subsidiary of ASG:
 - (i) enters into a buy-back agreement; or
 - (ii) resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;
- (d) ASG or a subsidiary of ASG issues shares or grants an option over its shares, or agrees to make such an issue or grant such an option;
- (e) ASG or a subsidiary of ASG issues, or agrees to issue, convertible notes;
- (f) ASG or a subsidiary of ASG disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (g) ASG or a subsidiary of ASG charges, or agrees to charge, the whole, or a substantial part, of its business or property;
- (h) ASG or a subsidiary of ASG resolves to be wound up;
- (i) a liquidator or provisional liquidator of ASG or a subsidiary of ASG is appointed;
- (j) a court makes an order for the winding up of ASG or a subsidiary of ASG;
- (k) an administrator of ASG, or a subsidiary of ASG, is appointed under section 436A, 436B or 436C of the Corporations Act;
- (l) ASG or a subsidiary of ASG executes a deed of company arrangement; or
- (m) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of ASG or a subsidiary of ASG.

9. **Representations**

Between the Announcement Date and the end of the Offer Period (each inclusive), no circumstance or event occurs which would make any of the following statements, if those statements had been made on the Announcement Date, untrue or incorrect in any material respect:

- (a) the total issued share capital of ASG comprises 129,784,650 fully paid ordinary shares,
- (b) there are no securities of ASG convertible into shares other than 3,200,000 options, each option entitling the holder to subscribe for one ASG Share on the terms and conditions applicable to that option, and 6,522,000 warrants in respect of ASG Shares;
- (c) other than the options referred to in sub-paragraph 9(b), there are no options or other entitlements over ASG Shares or to have ASG Shares issued; and
- (d) ASG is not involved in any negotiations with a party other than Allied relating to or concerning any proposal or transaction, which, if completed,

would mean a person (other than Allied or any associate of Allied) would:

- (i) directly or indirectly acquire a legal or beneficial interest in, or control of, 10% or more of ASG's share capital or of the share capital of any of its subsidiaries;
- (ii) acquire control of ASG, within the meaning of section 50AA of the Corporations Act, or a material part of ASG's business or assets; or
- (iii) otherwise acquire or merge (including by a reverse takeover bid or dual listed ASG structure) with ASG.

10. **Solomon Islands**

Between the Announcement Date and the end of the Offer Period (each inclusive), any political, social or civil unrest not presently existing arises or a major escalation in existing political, social or civil unrest arises in the Solomon Islands (including but not limited to insurrections, riots or civil disturbance).

11. **ASG Audited Results**

- (a) There is no qualified audit opinion issued with ASG's 2009 Annual Results except if this Bid caused the ASG funding facilities to be withdrawn, delayed or extended.
- (b) That any financial results, statements or reports or other announcements issued or required to be issued by ASG between the Announcement Date and the end of the Offer Period (each inclusive) do not:
 - (i) contain reference to any contingent liabilities which exceed A\$2 million in potential aggregate exposure excluding contingent liabilities previously disclosed in the same form;
 - (ii) contain any qualification to the opinion of any auditor or other sign-offs; or
 - (iii) show that interest bearing debt exceeds available cash.

12. **Holding of available cash**

That from the Announcement Date until the end of the Offer Period ASG has available cash of not less than \$2 million in excess of ASG's total financial indebtedness including interest bearing debt, finance leases and other financial accommodation.

13. **Definitions**

In these Offer conditions:

- (a) **AIM** means the London Stock Exchange.
- (b) **Appropriate Regulatory Approvals** means those sanctions, rulings, consents, orders, exemptions, permits and other approvals (including the lapse, without objection, of a prescribed time under a statute or regulation that states that a transaction may be implemented if a prescribed time lapses following the giving of notice without an objection

being made) of Governmental Entities required in connection with the commencement of the Offer or the consummation of the Offer.

- (c) **Allied Gold Material Adverse Effect** means any change, effect, event, occurrence or state of facts that is, or would reasonably be expected to be, material and adverse to the assets, liabilities (including any contingent liabilities that may arise through outstanding, pending or threatened litigation or otherwise), business, operations, financial condition or prospects of Allied and its subsidiaries taken as a whole.
- (d) **ASG Material Adverse Effect** means any change, effect, event, occurrence or state of facts that is, or would reasonably be expected to be, material and adverse to the assets, liabilities (including any contingent liabilities that may arise through outstanding, pending or threatened litigation or otherwise), business, operations, financial condition or prospects of ASG and its subsidiaries taken as a whole other than:
 - (i) any change in rates of taxation, interest rates, commodity prices (including the price of gold) or general economic conditions;
 - (ii) any change of law or accounting policy; or
 - (iii) any event, occurrence or matter which is required to be done or procured by Allied pursuant to this deed or the Takeover Bid for ASG Shares.
- (e) **Governmental Entity** means:
 - (i) any Canadian, foreign, multinational, federal, provincial, territorial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, administrative agency, commission, board, bureau or agency, domestic or foreign;
 - (ii) any subdivision, agent, commission, board or authority of any of the foregoing;
 - (iii) any self-regulatory authority;
 - (iv) the TSX, ASX or AIM; and
 - (v) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing.