ALCYONE

RESOURCES LTD

ABN 53 056 776 160

FORMERLY MACMIN SILVER LTD

ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2009

CORPORATE DIRECTORY

DIRECTORS

Charles Morgan	Non Executive Chairman
Andrew King	Managing Director
Richard Harris	Executive Director

COMPANY SECRETARY
Kevin Hart

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STOCK EXCHANGE
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CONTENTS

CHAIRMAN'S LETTER

Dear Shareholders,

I am pleased to present the first Annual Report for your Company under its new name of Alcyone Resources Ltd (Alcyone). The Financial year ended 30th June 2009 was a difficult year for the Company with most of it spent in Administration. However, the events subsequent to the 30th June year end have put your Company in a position to relist on the ASX in the near future.

On the 3rd November 2008 your Company, previously known as Macmin Silver Ltd, was placed in voluntary administration by the then Board of Directors. Subsequent to that date the Administrators, Pitcher Partners, sought expressions of interest in the Company and its assets and negotiated a Recapitalisation Deed with a consortium comprising Alcyone Mining Ltd and Cygnet Capital Pty Ltd (The Syndicate).

During the period between the signing of the Recapitalisation Deed on 27th July 2009 and 13th October 2009, a creditors meeting was held on the 6th August to approve the Recapitalisation Proposal, a General Shareholders meeting was held on the 1st October to approve the resolutions necessary to enable the Recapitalisation of the Company and $4 million was raised under a Prospectus.

Following the oversubscribed capital raising, your Company was in a position to terminate the Deed of Company Arrangement, emerge from voluntary administration on the 13th October 2009 and change its name from Macmin Silver Ltd to Alcyone Resources Ltd (Alcyone) (ASX code: AYN).

It is anticipated that, following completion of this Annual Report and the interim accounts, Alcyone will be able to apply for re-listing on the ASX by mid November 2009.

Work has already started on scheduling the metallurgical test programme and other reviews to assess the potential to resume silver production at the Twin Hills Mine. The testwork will be ongoing over the next six months and involves the sourcing of appropriate samples from the orebody and testing by an independent laboratory.

In parallel with testwork, a complete review of the orebody model will be undertaken, alternative mine designs considered plus process plant re-design completed. Subsequently, assessment will be undertaken of all economic parameters to enable a decision to be taken by your Board regarding the commencement of commercial silver production at Twin Hills.

Finally I should like to take this opportunity to extend my thanks and appreciation to my fellow directors, Cygnet Capital Pty Ltd, the Company's brokers and advisors, the investors and existing patient shareholders, Pitcher Partners and our management and professional advisers who have supported the Company and its recapitalisation.

Yours faithfully

Charles Morgan
Chairman

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REVIEW OF OPERATIONS

Background

The details regarding the successful Recapitalisation of Macmin Silver Ltd and its subsequent name change to Alcyone Resources Ltd are commented on in the Chairman's letter and various ASX announcements covering the period after the end of the 2009 financial year and up to the 13th October 2009.

Alcyone Resources Ltd ("Alcyone", "Company") principal activities are mining and mineral exploration. The primary projects are the Texas Silver Project, South–East Queensland, Australia where the Twin Hills Silver Mine is located and the Tally Ho and Mt Scott Projects near Mackay, Central Queensland.

The Company's major asset, which it holds through its wholly owned subsidiary, Texas Silver Mines Pty Ltd (Texas), is the Twin Hills silver mine which is located approximately 240km west-southwest of Brisbane and 10km east of the township of Texas in South East Queensland (Texas Silver Mine). Silver production commenced in April 2007 and the operations were placed on care and maintenance in June 2009.

Developments in the 2009 Financial Year

As reported in the September Quarterly report dated 31st October 2008 mining, crushing, heap leach pad stacking and leaching operations continued at Twin Hills in the first four months of the 2009 financial year.
The September 2008 Quarterly report and a release to the ASX dated 23rd October 2008 highlighted a number of production difficulties that had been encountered and a requirement to raise additional capital for the Company to remain viable.

The previous board of Directors determined to voluntarily appoint an Administrator on 3rd November 2008 and the Company's securities were suspended from official quotation the ASX on the same day.
The Administrator, Mr Bryan Hughes of Pitcher Partners, placed the mining operations on care and maintenance but continued the silver extraction from the heap leach pads at Texas's Twin Hills Silver Mine. Recovery activities were conducted until mid June 2009 and the operations were placed on full care and maintenance around financial year end.

Production Summary for the Year Ended 30th June 2009

Mining

Mining continued through the period until the commencement of administration on 3rd November 2008. No mining operations were carried out during the administration period. The following amount of material was estimated to have been mined:-

Table 1 Mine Production for the Financial Year Ended 30th June 2009

Material	Ag Grade Range	Production
Waste	< 20g/t	255,563 tonnes
Low grade	> 20g/t < 40g/t	24,996 tonnes @ 27 g/t Ag
Medium grade	>40g/t < 80 g/t	101,028 tonnes @ 57 g/t Ag
High grade	> 80 g/t	115,379 tonnes @ 96 g/t Ag

Crushing

Crushing continued during the first four months of the financial year.
A total of 94,057 tonnes was estimated to have been crushed. No crushing occurred after the commencement of the Administration.

REVIEW OF OPERATIONS (CONTINUED)

Silver Production

Direct electro winning of heap leachate continued to be the major source of silver production for this period.
The total silver powder production for the financial year ended 30th June 2009 has been estimated at 11,300 kg (363,317 oz).
To produce silver metal the powder product was shipped offsite to an independent smelting facility.

Total silver metal production for the financial year ended 30th June 2009 is estimated at 12,355 kg (397,222 oz).

Note. Production statistics as detailed in the Production Summary have been collected from information provided by previous ASX releases combined with information supplied by previous Directors and management of the Company and the Administrator and have not been independently verified by the current Directors. A review of the production figures will be undertaken as part of the orebody model reassessment, resource review and upgrade statement to be undertaken by the current management team as part of the proposed future work program.

Resource Statement

The Company has previously released mineral resources information to the ASX(Refer 2008 Annual Report).

A resource review is being undertaken by the current management team as part of the programme assessing the potential viability of recommencing silver production. The results of this review will be made available when completed.

Proposed Future Programs

With funding now available, work has started on scheduling the metallurgical test programme and other reviews to assess the potential to resume silver production at the Twin Hills Mine. The testwork will be ongoing over the next six months and involves the sourcing of appropriate samples from the orebody and testing by an independent laboratory.

In parallel with testwork, a complete review of the orebody model will be undertaken, alternative mine designs considered then process plant re-design completed. Subsequently, assessment will be undertaken of all economic parameters to enable a decision to be taken by your Board regarding the commencement of commercial silver production at Twin Hills.

In addition to the above, during the first 6 months, a review of the various tenement holdings will be undertaken. This will be used to evaluate their prospectivity and formulate a strategy for longer term exploration and development opportunities to augment possible future production.

The Company will also consider any other near production opportunities that could offer synergistic growth opportunities. These opportunities will be in the resources sector and may or may not involve silver, gold or other precious metals. The Directors may also consider investment opportunities in bulk commodities (such as coal and iron ore) together with base metals.

CORPORATE GOVERNANCE STATEMENT

The Directors of Alcyone Resources Ltd ('Alcyone') (formerly Macmin Silver Ltd) support the establishment and ongoing development of good corporate governance for the Company.

Alcyone has adopted systems of control and accountability as the basis for the administration of corporate governance. These policies and procedures are summarised below. The Board of the Company has made it a priority to administer the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

The Board and management are committed to corporate governance and, to the extent they are applicable to the Company, have adopted the Eight Essential Corporate Governance Principles and each of the Best Practice Recommendations as published by ASX Corporate Governance Council **("ASX Principles and Recommendations")**.

Further information about the Company's corporate governance practices is set out on the Company's website at www.alcyone.com.au. In accordance with the recommendations of the ASX, information published on the Company's website includes:

- Corporate Governance Statement;
- Board Charter;
- Nomination and Appointment of Directors Policy;
- Corporate Code of Conduct;
- Dealings in Company Securities Policy;
- Audit Committee Charter;
- Selection of External Auditor and Rotation of Audit Engagement Partners Strategy;
- Continuous Disclosure Policy;
- Communication with Shareholders Policy;
- Risk Management Policy;
- Remuneration Committee Charter; and
- Remuneration Policy.

This Statement sets out the corporate governance practices in place during the course of the financial year and as at the date of this report, which comply with the recommendations of the Corporate Governance Council unless otherwise stated. It should be noted that during the period 3 November 2008 to 13 October 2009 the Company was in voluntary administration and the powers of Directors suspended.

CORPORATE GOVERNANCE COUNCIL PRINCIPLE 1

Lay Solid Foundations for Management and Oversight

Role of the Board of Directors

The role of the Board is to build long term sustainable value for its security holders whilst respecting the interests of its stakeholders.

In order to fulfil this role, the Board is responsible for the overall corporate governance of the Company including formulating its strategic direction, setting remuneration and monitoring the performance of Directors and Senior Executives. The Board relies on Senior Executives to assist it in approving and monitoring expenditure, ensuring the integrity of internal controls and management information systems and monitoring and approving financial and other reporting.

In complying with Recommendation 1.1 of the Corporate Governance Council, the Company has adopted a Board Charter which clarifies the respective roles of the Board and senior management and assists in decision making processes. A copy of the Board Charter and the responsibilities of senior executives and management is available on the Company's website.

Board Processes

An agenda for Board meetings has been determined to ensure certain standing information is addressed and other items which are relevant to reporting deadlines and or regular review are scheduled when appropriate. The agenda is regularly reviewed by the Chairman and the Company Secretary.

Evaluation of Senior Executive Performance

The Company has not complied with Recommendation 1.2 of the Corporate Governance Council. Due to the stage of development of the Company, it is difficult for quantitative measures of performance to be established. As the Company progresses its projects, the Board intends to establish appropriate evaluation procedures. The Chairman currently assesses the performance of the Board, individual directors and key executives on an informal basis.

CORPORATE GOVERNANCE COUNCIL PRINCIPLE 2

Structure the Board to Add Value

Board composition

The Constitution of the Company provides that the number of Directors shall not be less than three. There is no requirement for any share holding qualification.

The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include the quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the scope of activities of the Company, intellectual ability to contribute to Board duties and physical ability to undertake Board duties and responsibilities.

Directors are initially appointed by the Board and are subject to re-election by shareholders at the next general meeting. In any event one third of the Directors are subject to re-election by shareholders at each general meeting.

The Board is presently comprised of three members, one Non-executive Director and two Executive Directors.

The Board has assessed the independence of the Non-Executive Director in accordance with the definition contained within the ASX Corporate Governance Guidelines and has concluded that the current Non-Executive Director, Mr Charles Morgan is independent . He has no material business or contractual relationship with the Company, other than as a Director and no conflicts of interest could interfere with the exercise of independent judgement.

Independent Chairman

The Chairman is an independent Chairman. As such, Recommendation 2.2 of the Corporate Governance Council has been complied with.

The Board at this point in time does not have a majority of independent Directors. However the Board considers both its structure and composition are appropriate given the size of the Company and its current scale of operation.

Roles of Chairman and Chief Executive Officer

The roles of Chairman and Chief Executive Officer are exercised by different individuals, and as such, the Company complies with Recommendation 2.3 of the Corporate Governance Council.

A profile of each Director, including their skills, experience and relevant expertise, and the date each Director was appointed to the Board is set out in the Directors' Report.

Nomination Committee
The Board does not have a separate Nomination Committee comprising of a majority of independent Directors and as such does not comply with Recommendation 2.4 of the Corporate Governance Council. The selection and appointment process for Directors is carried out by the full Board. The Board considers that given the importance of Board composition it is appropriate that all members of the Board partake in such decision making.

A copy of the Nomination Committee Charter and the Policy and Procedure for Selection and Appointment of New Directors is available on the Company's website.

Evaluation of Board Performance
The Company does not have a formal process for the evaluation of the performance of the Board and as such does not comply with Recommendation 2.5 of the Corporate Governance Council. The Board is of the opinion that the competitive environment in which the Company operates will effectively provide a measure of the performance of the Directors, in addition the Chairman assesses the performance of the Board, individual Directors and key executives on an informal basis from time to time.

Education
All Directors are encouraged to attend professional education courses relevant to their roles.

Independent Professional Advice and Access to Information
Each Director has the right to access all relevant information in respect to the Company and to make appropriate enquiries of senior management. Each Director has the right to seek independent professional advice on matters relating to him as a Director of the Company at the Company's expense, subject to prior approval of the Chairman.

CORPORATE GOVERNANCE COUNCIL PRINCIPLE 3
Promote Ethical and Responsible Decision Making

Code of conduct
The Board believes in and supports ethical and responsible decision making. It is expected that all Directors, managers and employees observe the highest standards of integrity, objectivity and business ethics in conducting its business, striving at all times to enhance the reputation and performance of the Company in respect of legal and other obligations to all legitimate stakeholders.

Accordingly, the Board acknowledges the rights of stakeholders and has adopted a Code of Conduct.

The Board has adopted a Code of Conduct that applies to all employees, executives and Directors of the Company and as such complies with Recommendation 3.1 of the Corporate Governance Council.

A copy of the Company's Code of Conduct is available on the Company's website.

Security trading policy

The Board has committed to ensuring that the Company, its Directors and executives comply with their legal obligations as well as conducting their business in a transparent and ethical manner. The Board has adopted a policy on dealing in the Company's securities by Directors, officers and employees which prohibits dealing in the Company's securities when those persons possess inside information and as such complies with Recommendation 3.2 of the Corporate Governance Council. The policy also provides that notification of intended trading should be given to the Chairman prior to trading. A copy of the Policy for dealing in Company Securities is available on the Company's website.

The law prohibits insider trading and the Corporations Act and the ASX Listing Rules require disclosure of any trading undertaken by Directors or their related entities in the Company's securities.

CORPORATE GOVERNANCE COUNCIL PRINCIPLE 4

Safeguarding Integrity in Financial Reporting

Audit committee

The Company does not have a separately constituted audit committee with a composition as suggested by Recommendations 4.1, 4.2 and 4.3 of the Corporate Governance Council. The full Board carries out the function of an audit committee. The Board believes that the Company is not of a sufficient size to warrant a separate committee and that the full Board is able to meet objectives of the best practice recommendations and discharge its duties in this area.

The Company has an Audit Committee Charter, which is currently administered by the full Board.

External audit recommendations, internal control matters and any other matters arising from the half-year audit review and the annual statutory audit are discussed directly between the Board and the audit engagement director.

External auditors

The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. Performance of the external auditor is reviewed annually by the Board. Auditor rotation is required by the Corporations Act 2001. The external auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

A copy of the Selection and External Auditor and Rotation of Audit Engagement Partners Strategy is available on the Company's website.

Financial reporting

The Board relies on senior executives to monitor the internal controls within the Company. Financial performance is monitored on a regular basis by the Managing Director and Company Secretary who reports to the Board at the scheduled Board meetings.

CORPORATE GOVERNANCE COUNCIL PRINCIPLE 5

Make Timely and Balanced Disclosure

Timely and balanced disclosure

The Board is committed to the promotion of investor confidence by providing full and timely information to all security holders and market participants about the Company's activities and to comply with the continuous disclosure requirements contained in the Corporations Act 2001 and the Australian Securities Exchange Listing Rules.

A copy of the Company's Continuous Disclosure Policy is available on the Company's website.

In accordance with ASX Listing Rules, the Company Secretary is appointed as the Company's disclosure officer.

CORPORATE GOVERNANCE COUNCIL PRINCIPLE 6

Respect the Rights of Shareholders

Communications

The Board fully supports security holder participation at general meetings as well as ensuring that communications with security holders are effective and clear.

A copy of the Communication with Shareholders Policy is available on the Company's website.

In addition to electronic communication via the ASX web site, the Company publishes all ASX releases including Annual and Half-Yearly financial statements on the Company's website at www.alcyone.com.au.

Shareholders are able to pose questions on the audit process and the financial statements directly to the independent auditor who attends the Company Annual General Meeting for that purpose.

CORPORATE GOVERNANCE COUNCIL PRINCIPLE 7

Recognise and Manage Risk

Risk Identification and Management

The Board accepts that taking and managing risk is central to building shareholder value. The Board manages the Company's level of risk by adhering to a formal Risk Policy Statement. The Risk Management Policy Statement is available from the Corporate Governance section of the Company's website.

The Board has primary responsibility for oversight of the financial risks of the Company with particular emphasis on accounting, financial and internal controls. The Board will receive regular reports from the external auditor on critical policies and practices of the Company and in relation to alternative treatments of financial information.

The Company employs executives and retains consultants each with the requisite experience and qualifications to enable the Board to manage the risks to the Company. The Board reviews risks to the Company at regular Board meetings.

Risk Identification and Management (continued)

Key identified risks to the business are monitored on an ongoing basis as follows:

- Business risk management
  The Company manages its activities within budgets and operational and strategic plans.

- Internal controls
  The Board has implemented internal control processes typical for the Company's size and stage of development. It requires the senior executives to ensure the proper functioning of internal controls and in addition, it obtains advice from the external auditors as considered necessary.

- Financial reporting
  Directors approve an annual budget for the Company and regularly review performance against budget at Board Meetings.

- Operations review
  Members of the Board regularly visit the Company's exploration project areas, reviewing development activities, geological practices, environmental and safety aspects of operations.

- Environment and safety
  The Company is committed to ensuring that sound environmental management and safety practices are maintained on its exploration activities.

The Company's risk management strategy is evolving and will be an ongoing process and it is recognised that the level and extent of the strategy will develop with the growth and change in the Company's activities.

Risk Reporting
As the Board has responsibility for the monitoring of risk management it has not required a formal report regarding the material risks and whether those risks are managed effectively therefore not complying with Recommendation 7.2 of the Corporate Governance Council. The Board believes that the Company is currently effectively communicating its significant and material risks to the Board and its affairs are not of sufficient complexity to justify the implementation of a more formal system for identifying, assessing monitoring and managing risk in the Company.

The Company does not have an internal audit function.

Managing Director and Company Secretary Written Statement

The Board requires the Managing Director and the Company Secretary provide a written statement that the financial statements of the Company present a true and fair view, in all material aspects, of the financial position and operational results and have been prepared in accordance with Australian Accounting Standards and the Corporations Act. The Board also requires that the Managing Director and Company Secretary provide sufficient assurance that the declaration is founded on a sound system of risk management and internal control, and that the system is working effectively.

Given the Company's recent circumstances, the declarations have not been received by the Board for the year ended 30 June 2009, as required by Recommendation 7.3 of the Corporate Governance Council.

CORPORATE GOVERNANCE COUNCIL PRINCIPLE 8

Remunerate Fairly and Responsibly

The Company's remuneration policy is to ensure that the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Disclosure of the details of the nature and amount of each element of Directors', including Non-Executive Directors, and Executive's remuneration is included in the financial statements.

Remuneration committee

The Board does not have a separate remuneration committee and as such does not comply with Recommendation 8.1 of the Corporate Governance Council. Due to the stage of development and size of the Company, a separate remuneration committee was not considered to add any efficiency to the process of determining the levels of remuneration for the Directors and key executives.

The full Board determines all compensation arrangements operating under the Remuneration Committee Charter, which is available on the Company's website. It is also responsible for setting performance criteria, performance monitors, share option schemes, incentive performance schemes, superannuation entitlements, retirement and termination entitlements and professional indemnity and liability insurance cover.

Distinguish Between Executive and Non-Executive Remuneration

The Company does distinguish between the remuneration policies of its Executive and Non-Executive Directors in accordance with Recommendation 8.2 of the Corporate Governance Council.

Executive Directors contracting arrangements may include performance based components, designed to reward and motivate, including the granting of share options, subject to shareholder approval and with vesting conditions relating to continuity of engagement.

Non-Executive Directors receive fees agreed on an annual basis by the Board, within total Non-Executive remuneration limits voted upon by shareholders at Annual General Meetings.

The Board ensures that, all matters of remuneration will continue to be in accordance with Corporations Act requirements, by ensuring that none of the Directors participate in any deliberations regarding their own remuneration or related issues. To the extent that additional executives are appointed in the future and the scope of the Company's activities expands, the Company will reconsider whether a change in the structure of executive remuneration is appropriate.

DIRECTORS

Your Directors present their report on the consolidated entity consisting of Alcyone Resources Ltd (Formerly Macmin Silver Ltd) and the entities it controlled at the end of, or during, the year ended 30 June 2009.

The following persons were Directors of Alcyone Resources Ltd during the whole of the financial year and up to the date of this report:

C.M. Morgan	(Appointed 21.08.09)
R.M. Harris	(Appointed 21.08.09)
A.J. King	(Appointed 21.08.09)
R.D. McNeil	(Resigned 11.09.09)
D.M. O'Neill	(Resigned 11.09.09)
P.A. McNeil	(Resigned 06.11.08)
G.G. Lowder	(Resigned 05.11.08)
E.G. Newman	(Resigned 14.08.09)

PRINCIPAL ACTIVITIES

The principal activities during the financial year of entities within the consolidated entity were exploration, evaluation of gold, silver and other base metal projects and production at the Twin Hills Silver Mine near Texas, Queensland.

RESULTS AND DIVIDENDS

The consolidated entity loss from operating activities after income tax for the full year is $37,929,071 (2008: $9,802,722).

The result of the consolidated entity was significantly affected by:

- Expenditure of $6,783,215 (2008: $1,020,224) in respect of exploration expenditure written off in accordance with company policy as outlined in Note 1(u); and

- The non-cash amount of $nil (2008: $275,600) included in Employee Benefits Expense in respect of options issued under the Macmin Employee Incentive Option Scheme during the period.

- A loss from production at the Twin Hills Silver Mine of $10,178,728 (2008: $9,461,914).

- An income tax credit relating to the amounts recognised directly in equity of $NIL (2008: $1,950,372).

- Impairment charges amounting to $14,909,758 (2008: $NIL).

REVIEW OF OPERATIONS

The Company was under external administration during the period from 3 November 2008, and the Varied Deed of Company Arrangement was wholly effectuated and settlement occurred on 13th October 2009. The principal continuing activities of the Company are mine operation, mineral exploration and evaluation.

DIVIDENDS

No dividend has been paid since the end of the previous financial year and no dividend is recommended for the current year. No dividend was paid during the previous financial year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 3 November 2008, Mr Bryan Hughes was appointed by the Company as Administrator of the Company and its subsidiary, Texas Silver Mines Pty Ltd (**Texas**). On this date, the Company's securities were suspended from trading on the official list of ASX**.**

The then Directors took the action to appoint Administrators as a consequence of the delay in supply and commissioning of additional crushing capacity and slower than predicted leech rates which meant that the mine had consumed more working capital than anticipated. Coupled with the decrease in metal prices, and correction in financial markets preventing the raising of additional capital or debt required at that time.

At the second meeting of creditors held on Friday 5 December creditors resolved that the Company and its wholly owned subsidiary, Texas Silver Mine Pty Ltd, enter into Deeds of Company Arrangement ('DOCA'). The DOCA's allowed the administrator time to conclude their investigations into the Company's affairs and to seek expressions from parties interested in the recapitalisation/restructure of the group's assets.

The Deed Administrator subsequently called for proposals to recapitalise the Company and Texas with a view to seeking reinstatement to trading of the Company's securities on ASX.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The Deed Administrator accepted a recapitalisation proposal by Alcyone Mining Limited and Cygnet Capital Pty Ltd ('Syndicate') for the restructuring and recapitalisation of the Company and Texas including upfront and delayed payments to the creditors' trusts of the Company and Texas. The Recapitalisation Deed was executed on 27 July 2009.

On 6 August 2009, the Company and Texas obtained the approval of their creditors to vary existing Deeds of Company Arrangement (DOCAs) to facilitate the recapitalisation so that all claims of creditors against the Company and Texas were extinguished following a number of cash payments, some upfront and some delayed, the issue of Company Shares, the grant of two royalties, which when combined, equate to a 3% gross revenue royalty on specified silver production, and the transfer of certain assets to the creditors' trusts of the Company and Texas.

The Recapitalisation Proposal from the Syndicate can be summarised as follows:

(a) all liabilities, contingent liabilities, obligations, warranties and long term commitments of the Company and Texas be released and compromised by the DOCAs;

(b) Consolidation of the Company's issued capital on a twenty (20) for one (1) basis;

(c) after the Consolidation, the Company undertake the following capital raisings and issues of securities:
   - (i) an issue of 150,000,000 Shares at an issue price of 0.1 cents each to the Syndicate (or its nominees) to raise $150,000 or, at the Syndicates' election, to be set off the Syndicates' reasonable costs incurred under the recapitalisation;
   - (ii) an issue of 150,000,000 free Options exercisable at 1 cent each on or before 1 October 2012;
   - (iii) an issue of between 350,000,000 and 400,000,000 Shares at an issue price of not less than 1 cent each to raise between $3,500,000 and $4,000,000; and
   - (iv) an issue of 25,000,000 Shares to the Creditors' Trust at a deemed issue price of 1 cent each;

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR (CONTINUED)

(d) of the funds referred to above, $500,000 be made available to the Creditors Trust of the Company and Texas plus a payment of $100,000 (or $117,500 if completion of the recapitalisation occurs after 19 October 2009) for care and maintenance costs of the Twin Hills mine incurred after 27 July 2009 and prior to completion;

(e) the Company pay the Creditors' Trust a further $500,000 upon recommencement of commercial silver production from the Twin Hills mine, provided that within 18 months of completion of the recapitalisation, if the boards of the Company and Texas do not pass resolutions to recommence commercial silver production, the Company will, in lieu of paying $500,000 as setout above, pay the Creditors' Trust $150,000 and issue the Creditors' Trust with that number of Shares that, when combined with the 25,000,000 Shares issued on completion, equals 15% of the issued capital of the Company as at the date the Company is reinstated to trading on the ASX;

(f) at the time the Company pays the amount of $500,000 or $150,000 as set out above, the Company must also pay the Creditors' Trust the remaining Care and Maintenance Costs, less the initial payment for Care and Maintenance Costs made at completion, the total amount paid does not exceed $200,000 (or $235,000 if completion of the recapitalisation occurs after 19 October 2009);

(g) the Company will grant a silver royalty to the Creditors' Trust and a separate silver royalty to the major secured creditor, YA Global Investments LP, the latter being secured by a mortgage over the real property underlying the Twin Hills mine;

(h) the Company and Texas transfer the Excluded Assets to the Creditors' Trust;

(i) the Company and Texas grant YA Global a first right to participate in future debt financing of the Twin Hills mine or debt financing secured against the Company's assets as at the completion date until such time as the Company has paid out the royalty granted to YA Global;

(j) the current directors of the Company be removed and replaced by nominees of the Syndicate;

(k) following completion of all of the matters set out above (other than paragraph (e)), the DOCAs will be terminated and the Company will seek reinstatement of its Shares to trading on ASX; and

(l) the Recapitalisation Proposal was conditional on:
- (i) the Company Shareholders approving certain resolutions to enable the proposed restructuring and recapitalisation to be completed.
- (ii) the Company receiving valid applications under a prospectus together with cleared funds for a minimum of $3,500,000; and
- (iii) ASX confirming in writing that it will lift the suspension on trading of the Shares immediately following Completion on terms satisfactory to the Syndicate and the Administrator, acting reasonably, without the need to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR (CONTINUED)

At a general meeting of shareholders convened on 1 October 2009, shareholders approved the following:

- Consolidation of the issued capital of the Company on the basis that;
  - Every 20 shares be consolidated to 1 share
  - Every 20 options be consolidated to 1 with the exercise price amended in inverse proportion to that ratio.

- Issue of 35,000,000 shares at an issue price of 0.1 cent each and 35,000,000 promoter options exercisable by payment of 1 cent each on or before 30 September 2012 to Mr Andrew King or nominee.

- Issue of 35,000,000 shares at an issue price of 0.1 cent each and 35,000,000 promoter options exercisable by payment of 1 cent each on or before 30 September 2012 to Mr Richard Harris or nominee.

- Issue of 3,000,000 shares at an issue price of 1 cent each to Mr Charles Morgan or nominee.

- Issue of 150,000,000 shares at an issue price of not less than 0.1 cent each to the Syndicate or their nominees to raise $150,000 less set off of any reasonable costs incurred under the Recapitalisation.

- Issue of 150,000,000 promoter options to the Syndicate or nominees exercisable by payment of 1 cent each on or before 30 September 2012.

- Issue of 400,000,000 shares at an issue price of not less than 1 cent each to raise $4,000,000.

- Issue of 25,000,000 shares at a deemed price of not less than 1 cent each to the Creditors Trust.

- Change the Company name to Alcyone Resources Ltd and adopt a new Constitution.

On 8 October 2009 the Company announced the completion of the capital raising, raising $4,000,000 by the issue of 400,000,000 shares at 1c each.

During the period 1 October to 13 October 2009, all resolutions passed at the General Meeting and all the requirements of the Recapitalisation Deed were effectuated.
Having satisfied all conditions of the Recapitalisation Deed, on 13th October the Company announced the termination of the Deeds of Company Arrangement and emerged from Voluntary Administration.
All securities were allotted and issued by 19 October 2009.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company's business strategies and prospects for growth in future financial years has not been included in this report, as the inclusion of this information is likely to prejudice the business activities of the group and is dependent upon the results of future exploration and evaluation.

ENVIRONMENTAL REGULATIONS

The consolidated entity is subject to significant environmental regulation in respect of its mineral exploration and mining activities.
The entity has exploration and mining tenements in Queensland and New South Wales, Australia. The entity is not aware of any breach of environmental regulations during or since the end of the financial year.

The entity has been granted a Mining Lease from the Queensland Department of Natural Resources and Mines for the Texas Silver Project in Queensland and an Environmental Authority from the Queensland Environmental Protection Agency. This authority imposes additional environmental regulations to apply during the developmental and operational phase of the project.

INFORMATION ON CURRENT DIRECTORS

	Particulars of Directors' Interest	
	Ordinary Shares	**Options**
Mr Charles Morgan (Appointed 21.08.09) - Non Executive Chairman	3,000,000	-
***Mr Andrew King (Appointed 21.08.09) -* Managing Director**	35,000,000	35,000,000 Unlisted
Mr Richard Harris (Appointed 21.08.09) - Executive Director	35,000,000	35,000,000 Unlisted

Mr Charles Morgan (Appointed 21.08.09) - Non Executive Chairman
Mr Morgan has extensive experience in equity capital markets and has been involved with numerous projects over a 25 year period. The bulk of these were in the resources/oil & gas industries and in the technology sector.

He has successfully identified emerging international opportunities and acquired large, early stage and strategic positions in a wide range of ventures around the globe. In addition to identifying and acquiring interest in early stage ventures, his particular strengths include partnering with regional experts, securing teams of appropriate executives, procuring development capital and adding value for the benefit of shareholders.

He is, or previously held the position of, Founder, Chairman, Director or major Shareholder in the following companies- Alto Energy Ltd, Nido Petroleum NL, West Oil NL, Fusion Oil & Gas NL, Valdera Ltd, Nautronix Ltd, WildHorse Ltd, Matra plc, Grand Gulf Energy Limited, Latent Petroleum Pty Ltd and VectoGen Ltd.

***Mr Andrew King (Appointed 21.08.09) -* Managing Director**
A mining engineer with over 34 years experience in the mineral resources industry, including a considerable depth of knowledge and expertise in technical disciplines as well as in the successful establishment of new companies having founded and developed Goldstar Resources NL.
In addition to experience covering corporate, strategic and operational roles in gold, iron ore, coal and base metals, Andrew also holds qualifications in accounting and financial management. He is a member of the Australian Institute of Mining and Metallurgy and the Australian Institute of Company Directors.
Andrew is currently Chairman of Base Iron Ltd and provides corporate and operating consulting services to the mining and financial industries. Previously, he held senior positions with Tectonic Resources NL, Mt Edon Gold Mines (Aust) Pty Ltd and Griffin Coal Mining Company.

Mr Richard Harris (Appointed 21.08.09) - Executive Director

A mining engineer and international mining analyst with over 25 years experience in the mining and finance industries. He has considerable experience evaluating mining companies and projects, advising and raising capital for resource companies. Richard has been involved in a wide range of commodities and has specialized in mid to small capitalization gold mining companies.

In 2006 as Managing Director he founded and listed Eleckra Mines Limited, a gold and uranium exploration company. Subsequently he took the position of Executive Chairman (2007 – 2008).

Prior positions include senior mining analyst at Hartleys Ltd, senior business analyst – acquisitions at WMC Ltd and international mining analyst & Associate Director at Shearson Lehman Hutton Ltd, London.

INFORMATION ON FORMER DIRECTORS

Robert D. McNeil (Resigned 11.09.09)
Executive Chairman for 5 years and Managing Director for 10 years.

B.Sc., M.Sc. He has 48 years industry experience in Australia, Papua New Guinea, U.S.A., Indonesia, Thailand and other countries. He was formerly General Manager of Esso Papua New Guinea Inc. where he was based in Lae, Papua New Guinea for 6 years. Before this assignment he resided in the U.S.A. for 5 years and prior to that worked for several major and minor companies mainly in Australia. He has been associated with the discovery of several orebodies, specifically the Juno and Warrego orebodies at Tennant Creek by Peko in the 1960's.

Denis M. O'Neill (Resigned 11.09.09)
Managing Director for 3 years and Executive Director for 10 years.

He has 36 years industry experience including 7 years directing exploration projects in Italy, Ireland and the United Arab Emirates for Noranda Mines Ltd, and 4 years as Chief Geologist for the Delta Gold group of companies in Australia. He was associated with the discovery of the 'Reward' and 'Highway' orebodies, Charters Towers whilst working with City Resources and Barrack Mines in the late 1980's. He is a graduate of the University of NSW (B.App.Sc).

Peter A. McNeil (Resigned 06.11.08)
Non-Executive Director for 13 years.

B.Sc., M.Sc. He has 26 years exploration experience in Papua New Guinea, U.S.A. and Australia, including programs at the Lihir gold deposit and in the Goldfields and Kimberley regions of Western Australia and Tasmania. He has been associated with the discovery of a number of orebodies including Nimary and Sunrise Dam in Western Australia.

Garry G. Lowder (Resigned 05.11.08)
Independent Non-Executive Director for 5 years.

He has over 40 years of professional experience, including senior positions in the mining industry and in government, and has worked widely in Australia, as well as in Indonesia and Papua New Guinea. He was Director General of the NSW Department of Mineral Resources from 1993 to 1997 and has been Managing Director of Malachite Resources since leaving that position. His exploration expertise covers a wide variety of geological setting and deposit types, and he has played a key role in the discovery of several major ore deposits, including Northparkes (copper-gold) and Lake Cowal (gold) in New South Wales, and Paddington (gold) and Wodgina (tantalum) in Western Australia.

Edgar G. Newman (Resigned 14.08.09)
Director since 1 December 2005, previously Alternate Director for R.D. McNeil for 18 months and Project Manager for 12 years.

Mr Newman has been instrumental in developing the silver processing route for the Twin Hills Silver Mine. He has over 32 years experience in the mining and exploration industry. From 1968 to 1982 he held positions as chemist and manager of Labtech Pty Ltd, analytical services laboratory. Since 1982, he has been involved in feasibility studies, design, construction and commissioning of several mining and processing operations in Australia and Papua New Guinea.

Mr Newman has extensive metallurgical experience and has designed and supervised metallurgical investigations on projects in Australia, Papua New Guinea, USA, Mexico and Dominican Republic.

COMPANY SECRETARY – QUALIFICATIONS & EXPERIENCE

Kevin Hart (Appointed 13 October 2009)

Mr Hart is a Chartered Accountant and was appointed to the position of Company Secretary on 13 October 2009. He has over 20 years experience in accounting and the management and administration of public listed entities in the mining and exploration industry.

He is currently a partner in an advisory firm which specialises in the provision of company secretarial services to ASX listed entities.

Garry M. Edwards (Resigned 09 December 2008)

Company Secretary for 12 years.

Garry Edwards holds a Master of Business Administration and is a Fellow of the Australian Institute of Company Directors and National Institute of Accountants.

Prior to joining Macmin, Mr Edwards spent 15 years working in Papua New Guinea, the last 11 for KPMG and antecedent firms. From 1987 to 1995 he managed KPMG's Arawa and Rabaul offices. Mr Edwards is also Company Secretary of Early Learning Services Ltd (ASX).

DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Company during the period 1 July 2008 to 3 November 2008 (appointment of Administrators), and the number each Director attended is set out below.

During the period 3 November 2008 and up to 13 October 2009 the Company was under the control of Administrators. The powers of the Directors were suspended and no meetings of Directors were held during the period of administration.

	Directors' Meetings		Audit Committee Meetings		Remuneration Committee	
	Attended	**Held**	**Attended**	**Held**	**Attended**	**Held**
Mr R.D. McNeil	8	8	-	-	-	-
Mr D.M. O'Neill	8	8	-	-	-	-
Mr P.A. McNeil	8	8	-	-	-	-
Mr G.G. Lowder	8	8	-	-	-	-
Mr E.G. Newman	7	8	-	-	-	-

* not a member of the relevant committee

REMUNERATION REPORT (AUDITED)

The principles adopted have been approved by the current board of the Company following release of the Company from Administration on 13 October 2009.

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced Directors and senior executives. Remuneration packages include fixed remuneration with bonuses or equity based remuneration entirely at the discretion of the Board based on the performance of the Group.

At the date of this report the Company has not entered into any agreements with Directors or Senior Executives which include performance based components, nor is there any provision for issuing securities to Directors or Senior Executives.

(a) Principles used to determine the nature and amount of remuneration

<u>Performance linked compensation</u>

Performance linked compensation includes long term incentives, designed to reward key management personnel for reaching or exceeding specific objectives or as recognition for strong individual performance.

<u>Long term incentives</u>

Long term incentives are comprised of share options, which are granted from time to time to encourage exceptional performance in the realisation of strategic outcomes and growth in shareholder wealth.

Non-executive Directors fees not exceeding an aggregate of $150,000 per annum has been approved by the shareholders in Annual General Meeting.

Refer also to the Corporate Governance Statement for more detail on the Board's policy in this area.

Alcyone Resources Ltd (Formerly Macmin Silver Ltd) Employee Incentive Option Plan
Information on the Alcyone Resources Ltd (Formerly Macmin Silver Ltd) Employee Incentive Option Plan is set out in Note 29. Directors may not participate in the Employee Option Plan.

Employee options are not performance related except to the extent that they are awarded at the discretion of the Board in recognition of performance. Options maybe cancelled at the discretion of the Board if employment ceases.

Options issued under the Plan vest one year after the date of issue.

The Employee Incentive Option Plan rules contain a restriction on removing the 'at risk' aspect of the options granted to employees. Participants in the Alcyone Resources Ltd (Formerly Macmin Silver Ltd) Employee Incentive Option Plan may not enter into derivative transactions with third parties in regard to the options. The Plan does not include any limitation of risk for the option holders.

There is no direct relationship between the remuneration policy and the company's performance. However the Board considers the past performance of the company as a whole over a period of years when determining the overall level of key management personnel compensation. When calculating key management personnel compensation, the Board has taken into account the cost of living and market rates, and the fact that the company has been in stages of development, mining and administration over the past four years.

REMUNERATION REPORT (AUDITED) (CONTINUED)

(b) Details of remuneration

Details of the nature and amount of each element of the emoluments of each key management personnel of the Company and the consolidated entity for the year ended 30 June 2009 and 2008 are set out in the following tables:

2009	Short-term employee benefits			Post-employment benefits		Share-based payment			
Name	Cash salary and fees $	Cash Bonus $	Non-Monetary benefits $	Super-annuation $	Retirement benefits $	Equity-settled Options* $	Total $	% Remuner-ation related to perform-ance	% Remuner-ation made up of options
Former Directors									
R.D. McNeil^	62,933	-	-	5,664	-	-	68,597	-	-
D.M. O'Neill^	55,038	-	-	4,953	-	-	59,991	-	-
P.A. McNeil	7,073	-	-	638	-	-	7,711	-	-
E.G. Newman^	74,375	-	-	6,694	-	-	81,069	-	-
G.G. Lowder	7,083	-	-	638	-	-	7,721	-	-
Other key management personnel									
G. Edwards^ (i)	91,126	-	-	8,171	-	-	99,297	-	-
J. Magnussen^ (i)	66,667	-	-	6,000	-	-	72,667	-	-
Total	364,295	-	-	32,758	-	-	397,053		

(i) Mr Edwards and Mr Magnussen resigned 30 November 2008.
The former Directors resigned at various dates during the period of Administration from 3 November 2008 to 30 June 2009.

2008	Short-term employee benefits			Post-employment benefits		Share-based payment			
Name	Cash salary and fees $	Cash Bonus $	Non-Monetary benefits $	Super-annuation $	Retirement benefits $	Equity-settled Options* $	Total $	% Remuner-ation related to perform-ance	% Remuner-ation made up of options
Directors									
R.D. McNeil^	93,504	-	-	101,061	-	-	**194,565	-	-
D.M. O'Neill^	81,813	-	4,327	72,218	-	-	158,358	-	-
P.A. McNeil	20,000	-	-	1,800	-	-	21,800	-	-
E.G. Newman ^	92,080	-	-	96,131	-	-	188,211	-	-
G.G. Lowder	20,000	-	-	1,800	-	-	21,800	-	-
Other key management personnel									
G. Edwards^	88,632	-	2,847	100,582	-	79,500	271,561	-	29
J. Magnussen^	156,667	-	-	14,100	-	53,000	223,767	-	23
Total	552,696	-	7,174	387,692	-	132,500	1,080,062		

REMUNERATION REPORT (AUDITED) (CONTINUED)

^These executives are the 5 highest paid executives of the group.

*Option value calculation using Black-Scholes Model.
** Approximately 50% of R.D. McNeil's remuneration is recouped via charges to New Guinea Gold Corporation.

(c) Service Agreements

As at the date of this report there are no contracts with Directors and there are no executives or key management personnel other than the current directors.

Interim arrangements currently in place pending completion of formal contracts are as follows;

- Mr Andrew King and a related company Moonshadow Holdings Pty Ltd provide management and administrative services at $15,000 per month;

- Mr Richard Harris and a related company Weasel Securities Pty Ltd provide management consulting services at $15,000 per month.

The manner of payment is determined on a case by case basis and is generally a mix of cash and non-cash benefits as considered appropriate by the Board of Directors.

(d) Share-based Compensation

Options
Options are granted to Directors under conditions approved by shareholders at the 2003 and the 2005 Annual General Meetings. Options are granted to other key management personnel under the Alcyone Resources Ltd (Formerly Macmin Silver Ltd) Employee Option Plan which was approved by shareholders at the 2007 Annual General Meeting.

Options are granted under the Plan for no consideration. Options are granted for between 2-5 year periods and vest twelve months after date of issue. These options are not performance related except to the extent that they are issued at the discretion of the Board in recognition of performance. Options may be cancelled at the Board's discretion if employment ceases.

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

Type of Options	Grant date	Expiry date	Exercise price	Value per option at grant date	% vested	% forfeited	Date exercisable
Employee	03 Aug 2005	01 Dec 2008	$0.15	$0.0623	100	-	Between 01 Aug 2005 and 01 Dec 2009
Employee	13 Oct 2005	01 Nov 2009	$0.20	$0.0951	100	-	Between 13 Oct 2005 and 01 Nov 2008
Employee	14 Aug 2006	14 Aug 2011	$0.45	$0.1751	100	-	Between 14 Aug 2006 and 14 Aug 2011
Employee	27 Nov 2007	29 Nov 2010	$0.28	$0.0530	100	-	Between 27 Nov 2008 and 29 Nov 2010

Options granted under the Plan carry no dividend or voting rights.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Options granted to key management personnel are subject to the terms of the Alcyone Resources Ltd (Formerly Macmin Silver Ltd) Employee Option Plan as outlined in note 29 to the Financial Statements. The Plan was approved at the 2007 Annual General Meeting.

Details of options over ordinary shares in the Company provided as remuneration to each Director of Alcyone Resources Ltd and each of the key management personnel of the Group are set out below. When exercisable, each option is convertible into one ordinary share of Alcyone Resources Ltd. Further information on the options is set out in note 29 to the Financial Statements.

Name	Number of Options granted during the year		Number of options vested during the year		% vested in the current period	% available for vesting in future periods
	2009	2008	2009	2008		
Other key management personnel of the Group						
G.M. Edwards (resigned)	-	1,500,000	1,500,000	1,200,000	100	-
J.G. Magnussen (resigned)	-	1,000,000	1,000,000	-	100	-

Shares provided on exercise of remuneration options
Details of ordinary shares in the Company provided as a result of the exercise of remuneration options to each director of Alcyone Resources Ltd and other key management personnel of the Group are set out below:

Name	Date of exercise of options	Number of ordinary shares issued on exercise of options during the year	
Directors		**2009**	**2008**
R.D. McNeil (resigned)	-	-	-
D.M. O'Neill (resigned)	-	-	-
P.A. McNeil (resigned)	10 Aug–8 Nov 2007	-	257,500
E.G. Newman (resigned)	-	-	-
G.G. Lowder (resigned)	-	-	-
Other key management personnel of the Group			
G.M. Edwards (resigned)	-	-	-
J.G. Magnussen (resigned)	-	-	-

The amounts paid per ordinary share by each director and other key management personnel on the exercise of options at the date of exercise were as follows:

Exercise date	Amount paid per share
10 August 2007	$0.20
8 November 2007	$0.20

No amounts are unpaid on any shares issued on the exercise of options.
Employee incentive option plan

REMUNERATION REPORT (AUDITED) (CONTINUED)

None of the Directors of Alcyone Resources Ltd (Formerly Macmin Silver Ltd) are eligible to participate in the Company's employee incentive option plan.

A = The value at grant date calculated in accordance with AASB 2 *Share-based Payment* of options granted during the year as part of remuneration.
B = The value at exercise date of options that were granted as part of remuneration and were exercised during the year.
C = The value at lapse date of options that were granted as part of remuneration and that lapsed during the year.

THIS IS THE END OF THE REMUNERATION REPORT

LOANS TO DIRECTORS AND EXECUTIVES

No loans have been made to Directors of Alcyone Resources Ltd or the two specified executives of the consolidated entity, including their personally-related entities.

SHARES UNDER OPTION

Unissued ordinary shares of Alcyone Resources Ltd under option at the date of this report and post consolidation are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
13 Oct 2005	1 Nov 2009	$4.00	75,625
14 Aug 2006	14 Aug 2011	$9.00	423,750
29 Nov 2007	29 Nov 2010	$5.60	260,000
25 Feb 2008	9 Nov 2012	$9.60	250,000
29 Sep 2008	30 Sep 2011	$1.60	667,902
09 Oct 2009	30 Sep 2012	$0.01	150,000,000
			151,677,277

No optionholder has any right under the options to participate in any other share issue of the Company or of any other entity.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

The following ordinary shares of Alcyone Resources Ltd were issued during the year ended 30 June 2009 on the exercise of options. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

Date options granted	Issue price of shares	Number of shares issued
9 Jul 2007 – 14 May 2008	$0.25	29,679
		29,679

The Directors have not provided information regarding the earnings and share price information for the last four years as the company has been in stages of development, mining and then administration in this period and has incurred significant losses as recorded in the income statements.

INSURANCE OF OFFICERS

Since the end of the previous financial year and prior to external administration the consolidated entity had paid insurance premiums in respect of Directors' and officers' legal expenses and liability insurance. The policies prohibit disclosure of details of the policies or the premiums paid. The Company has not provided any insurance from Auditors of the Company. Since 13 October 2009 the consolidated entity has paid an insurance premium to insure certain officers of the Company including the current Directors named in this Report. The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor or any of its controlled entities against a liability incurred as such an officer or auditors.

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Consolidated Entity are important.

Details of the amounts paid or payable to the auditor (BDO Kendalls) for audit and non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.* The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor;
- None of the services undermine the general principles relating to the auditor independence as set out in Professional Statement APES 110, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 25.

	CONSOLIDATED	
	2009	**2008**
	$	**$**
During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms.		
Assurance services		
1. Audit Services		
BDO Kendalls Australian firm:	26,142	33,119
PricewaterhouseCoopers Australian firm:	-	1,093
Total remuneration for audit services	26,142	34,212
2. Taxation Services		
BDO Kendalls Australian firm:	5,700	29,847
PricewaterhouseCoopers Australian firm:	30,175	-
Total remuneration for taxation services	35,875	29,847

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of the Directors.

Andrew King
Managing Director

Dated this 30th day of October 2009

AUDITORS' INDEPENDENCE DECLARATION

BDO Kendalls

BDO Kendalls (QLD)
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ABN 70 202 702 402

DECLARATION OF INDEPENDENCE BY CHRISTOPHER SKELTON TO THE DIRECTORS OF ALCYONE RESOURCES LTD (FORMERLY MACMIN SILVER LTD)

As lead auditor for the audit of Alcyone Resources Ltd (formerly Macmin Silver Ltd) for the year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Alcyone Resources Ltd and the entities it controlled during the year.

BDO Kendalls (QLD)

C J Skelton
Partner

Brisbane
Dated 30 October 2009

ALCYONE RESOURCES LTD (FORMERLY MACMIN SILVER LTD) & ITS CONTROLLED ENTITIES
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Notes	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	PARENT ENTITY 2009 $	PARENT ENTITY 2008 $
Revenue	4	3,660,484	2,428,354	224,207	1,088,488
Other Income	4	2,972,525	552,576	2,787,024	552,576
Company equipment use capitalised to exploration and development		-	68,160	-	68,160
Changes in work in progress and deferred grade control		-	3,217,490	-	-
Direct costs of mining and processing		(685,664)	(6,326,868)	182,350	-
Corporate compliance, insurance and shareholder relations		(470,788)	(406,246)	(425,373)	(370,451)
Conference and promotion		(84,445)	-	(84,255)	-
Depreciation and Amortisation	5	(276,116)	(2,446,891)	(11,959)	(133,540)
Employee benefit expense		(1,295,038)	(4,080,716)	(1,295,038)	(246,082)
Share based payment expense	29(d)	-	(532,600)	-	(426,600)
Exploration expenditure written off	16	(6,783,215)	(1,020,224)	(937,267)	(732,697)
Development expenditure written off	17	(8,928,562)	-	-	-
Impairment Plant & Equipment	12	(6,352,581)	-	(10,283)	-
Financing costs		(356,376)	(1,134,643)	(356,376)	(830,921)
Office rental, communication and consumables		(81,244)	(180,628)	(66,434)	(180,628)
Repairs and maintenance		(73,489)	(1,244,198)	(1,242)	(509)
Provision for impairment of subsidiary loan		-	-	(31,137,834)	(18,000,000)
Impairment of Investments		-	-	(1,843,644)	-
Recognition of creditors claims		(6,069,283)	-	(6,284,650)	-
Creditors claim settled (dividend)		(1,894,933)	-	(1,894,933)	-
Loss on share sales		(565,061)	-	(565,061)	-
Net Result Twin Hill Mines		(10,178,728)	-	-	-
Other expenses		(466,557)	(585,178)	(479,245)	(138,733)
Share of net losses of associates accounted for using the equity method	35	-	(61,482)	-	-
Loss before income tax		(37,929,071)	(11,753,094)	(42,200,013)	(19,350,937)
Income tax (expense)/credit	6	-	1,950,372	-	1,950,372
Loss for the year		(37,929,071)	(9,802,722)	(42,200,013)	(17,400,565)

		Cents	**Cents**
Basic and diluted (loss) per share	32	(7.50)	(2.10)

The above income statements should be read in conjunction with the accompanying notes.

ALCYONE RESOURCES LTD (FORMERLY MACMIN SILVER LTD) & ITS CONTROLLED ENTITIES
BALANCE SHEET
AS AT 30 JUNE 2009

	Notes	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	PARENT ENTITY 2009 $	PARENT ENTITY 2008 $
ASSETS					
Current Assets					
Cash and cash equivalents	7	1,124,589	4,957,906	325,714	4,938,047
Trade and other receivables	8	28,942	296,510	22,088	223,293
Inventories	9	-	5,299,437	-	-
Other assets/deferred mining costs	10	-	1,089,259	-	-
Total Current Assets		1,153,531	11,643,112	347,802	5,161,340
Non-Current Assets					
Receivables	11	1,695,524	2,157,662	25,000	28,495,673
Property, plant and equipment	12	2,067,980	8,427,735	269,141	283,379
Investments accounted for using the equity method	13	-	-	-	-
Available for sale financial assets	14	1,627,215	9,033,075	1,627,215	9,033,075
Other financial assets	15	-	-	33,802	33,802
Mineral exploration and evaluation expenditure	16	-	6,783,215	-	590,992
Mineral development expenditure	17	2,270,000	11,252,447	-	-
Total Non-Current Assets		7,660,719	37,654,134	1,955,158	38,436,921
Total Assets		8,814,250	49,297,246	2,302,960	43,598,261
LIABILITIES					
Current Liabilities					
Trade and other payables	19	4,241,745	2,392,090	3,930,292	1,064,561
Financial liabilities	20	9,220,342	4,800,067	9,120,073	4,368,175
Total Current Liabilities		13,462,087	7,192,157	13,050,365	5,432,736
Non-Current Liabilities					
Financial liabilities	21	-	4,388,305	-	4,132,406
Provisions	22	4,028,973	3,994,959	-	20,716
Total Non-Current Liabilities		4,028,973	8,383,264	-	4,153,122
Total Liabilities		17,491,060	15,575,421	13,050,365	9,585,858
Net Assets / (Deficiency)		(8,676,810)	33,721,825	(10,747,405)	34,012,403
EQUITY					
Parent entity interest					
Contributed equity	23	71,524,407	69,599,596	71,524,407	69,599,596
Reserves	24(a)	2,271,451	8,665,826	2,271,451	6,756,057
Accumulated losses	24(b)	(82,472,668)	(44,543,597)	(84,543,263)	(42,343,250)
Total Equity / (Deficiency)		(8,676,810)	33,721,825	(10,747,405)	34,012,403

The above balance sheets should be read in conjunction with the accompanying notes.

ALCYONE RESOURCES LTD (FORMERLY MACMIN SILVER LTD) & ITS CONTROLLED ENTITIES
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009

		CONSOLIDATED		**PARENT ENTITY**	
	Notes	**2009**	**2008**	**2009**	**2008**
		$	**$**	**$**	**$**
Total equity at the beginning of the year		33,721,825	33,961,760	34,012,403	43,117,325
Transaction costs arising on share issues	24	(19,309)	(59,361)	(19,309)	(59,361)
Changes in fair value of available for sale investment assets		(6,394,375)	5,107,672	(4,484,606)	3,840,528
Net income/(expense) recognised directly in equity		(6,413,684)	5,048,311	(4,503,915)	3,781,167
Loss for the year		(37,929,071)	(9,802,722)	(42,200,013)	(17,400,565)
Total recognised income and expense for the year		(44,342,755)	(4,754,411)	(46,703,928)	(13,619,398)
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity *	23	1,944,120	4,012,449	1,944,120	4,012,449
Reserves attributable to associate	24	-	-	-	-
Additions to share based payments reserve	24	-	532,600	-	532,600
Transfers from share based payments reserve	24	-	(30,573)	-	(30,573)
		1,944,120	4,514,476	1,944,120	4,514,476
Total equity at the end of the year		(8,676,810)	33,721,825	(10,747,405)	34,012,403

*Contributions of equity includes:

$7,420 for shares issued for exercise of options (2008: $300,000) $1,001,745 for shares issued for Convertible Note repayment (2008: $321,251), and $934,955 for shares issued under an entitlement issue (2008: NIL)

The above statement of changes in equity should be read in conjunction with the accompanying notes.

ALCYONE RESOURCES LTD (FORMERLY MACMIN SILVER LTD) & ITS CONTROLLED ENTITIES
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

		CONSOLIDATED		PARENT ENTITY	
	Notes	**2009**	**2008**	**2009**	**2008**
		$	**$**	**$**	**$**
Cash Flows from Operating Activities					
Cash receipts in the course of operations		3,919,247	2,163,643	663,078	392,844
Interest received		148,288	449,112	93,450	381,482
Payments to suppliers and employees not included as part of exploration and evaluation activities below		(5,029,264)	(14,709,769)	(3,459,415)	(3,011,555)
Goods and Services Tax refunded		259,241	980,006	259,241	919,468
Net Cash Flow Inflow (Outflow) from Operating Activities	34	(702,488)	(11,117,008)	(2,443,646)	(1,317,761)
Cash Flows from Investing Activities					
Exploration and evaluation activities		(5,063,132)	(1,540,124)	(1,227,552)	(696,792)
Development activities		-	(331,728)	-	-
Security deposits recovered / (paid)		-	(1,046,485)	-	500
Proceeds from sale of property, plant and equipment		225,308	18,913	83,227	18,913
Purchase of property, plant and equipment		(177,745)	(829,546)	(8,004)	(52,209)
Proceeds from sale of available for sale financial assets		1,779,153	57,906	1,779,153	57,906
Purchase of available for sale financial assets		-	-	-	-
Funding activities of subsidiaries		-	-	(2,901,516)	(13,313,067)
Net Cash (Outflow) Inflow From Investing Activities		(3,236,416)	(3,671,064)	(2,274,692)	(13,984,749)
Cash Flows from Financing Activities					
Proceeds from issue of shares (net of share issue costs)		923,066	3,602,446	923,066	3,602,446
Proceeds from subscription moneys held pending share issue		-	-	-	-
Proceeds from borrowings		-	9,863,503	-	9,863,503
Repayment of borrowings		(817,479)	(494,579)	(817,061)	-
Net Cash Inflow (Outflow) From Financing Activities		105,587	12,971,370	106,005	13,465,949
Net Decrease in Cash and Cash Equivalents		(3,833,317)	(1,816,702)	(4,612,333)	(1,836,561)

ALCYONE RESOURCES LTD (FORMERLY MACMIN SILVER LTD) & ITS CONTROLLED ENTITIES
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

		CONSOLIDATED		PARENT ENTITY	
	Notes	**2009**	**2008**	**2009**	**2008**
		$	**$**	**$**	**$**
Cash and cash equivalents at the beginning of the year		4,957,906	6,774,608	4,938,047	6,774,608
Cash and Cash Equivalents at the End of the year	7	1,124,589	4,957,906	325,714	4,938,047
Non-cash finance and investing activities	37				

The above cash flow statements should be read in conjunction with the accompanying notes.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Alcyone Resources Ltd (Formerly Macmin Silver Ltd) as an individual entity and the consolidated entity consisting of Alcyone Resources Ltd and its subsidiaries.

The ultimate parent entity Alcyone Resources Ltd (Formerly Macmin Silver Ltd), is a public, listed company, incorporated and domiciled in Australia and having its registered address and principal place of business at Mezzanine Level, 35 Havelock Street West Perth.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Interpretations and the *Corporations Act 2001.*

Historical cost convention

These financial statements have been prepared under the historical cost convention, except for available for sale financial assets that have been measured at fair value.

Going concern

Refer to the matters discussed in note 3(b)(vi).

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Alcyone Resources Ltd (Formerly Macmin Silver Ltd) ("company" or "parent entity") as at 30 June 2009 and the results of all subsidiaries for the year then ended. Alcyone Resources Ltd, and its subsidiary together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Principles of consolidation(Continued)

(i) Subsidiaries (Continued)

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Subsidiaries are carried at cost less impairment in the parent financial statements.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights or where a shareholding is less than 20% significant influence through other means. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group’s investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group’s share of its associates’ post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity’s income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Joint ventures

Joint venture operations
The proportionate interests in the assets, liabilities and expenses of a joint venture operation have been incorporated in the financial statements under the appropriate headings.

(d) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Alcyone Resources Ltd (Formerly Macmin Silver Ltd)'s functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties.

(i) Metal sales

Revenue from metal sales is recognised when the risk has passed from the Group to the customer and the selling price has been determined. Sales revenue represents gross proceeds receivable from the customer less associated refining and royalty costs. Revenue from metal sales is primarily from silver product but also includes sales of gold.

(ii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(iii) Administration fee and hire fees

Revenue from administration and hire fees is recognised (on a straight line basis) at the end of each month during the term of the relevant agreement.

(iv) Smelter royalty

Revenue from smelter royalties are recognised on a percentage of completion basis at the end of each quarter during the term of the royalty agreement.

(g) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Alcyone Resources Ltd and its wholly-owned Australian controlled entities have not implemented the tax consolidation legislation.

(h) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectibility of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(j) Inventories and work in progress

Inventories are made up of consumables and work in progress and are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Investments and other financial assets

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

Investments and other financial assets are initially stated at cost, being the fair value of consideration given plus any directly attributable transaction costs. Purchases and sales of investments are recognised on trade date which is the date on which the Group commits to purchase or sell the asset. Accounting policies for each category of investments and other financial assets subsequent to initial recognition are set out below.

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet (notes 8 and 11).

Loans and receivables are measured at amortised cost using effective interest method less any impairment losses.

(ii) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
(l) Investments and other financial assets (Continued)

(ii) Available-for-sale financial assets

The fair values of quoted financial assets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities) the group establishes fair value by using a variety of valuation techniques. Where the fair value of a financial asset cannot be reliably measured, it will be measured at cost.

(iii) Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have a negative effect on the estimated future cashflows of that asset. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(m) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(n) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Items of property, plant and equipment are depreciated over their estimated useful lives. The diminishing balance method is used. Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use. Estimates of useful lives are made at the time of acquisition and varied as required. Expected useful lives are: Plant and Equipment between 4 years and 7 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(g)).
Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED

(o) Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Trade and other payables are classified as non-derivative other liabilities under AASB 139.

Other liabilities are recognised initially at fair value plus any directly attributable transactions costs. Subsequent to initial recognition other liabilities are measured at amortised cost using the effective interest rate.

(p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(q) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year.

(r) Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

(s) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave are expected to be settled within 12 months of the reporting date and are recognised in other payables in respect of employees’ services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for employee benefits relating to long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Employee benefits (Continued)

(iii) Share-based payments

Share-based compensation benefits are provided to employees via the Alcyone Resources Ltd (Formerly Macmin Silver Ltd) Employee Option Plan. Information relating to this Plan is set out in note 29.

Share options granted before 7 November 2002 and/or vested before 1 January 2005
No expense is recognised in respect of these options. The shares are recognised when the options are exercised and the proceeds received allocated to share capital.

Share options granted after 7 November 2002 and vested after 1 January 2005
The fair value of options granted under the Alcyone Resources Ltd (Formerly Macmin Silver Ltd) Employee Option Plan is recognised as an employee benefit expense with a corresponding increase in equity (share-based payments reserve). The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital and the proceeds received, net of any directly attributable transaction costs, are credited to share capital.

The market value of options issued to employees for no cash consideration under the employee option plan is recognised as an employee benefits expense with a corresponding increase in equity when the employees become entitled to the options.

(u) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are not included in the cost of the acquisition as part of the purchase consideration.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share

Potential shares as a result of options outstanding at the end of the year are not dilutive as they decrease the loss per share and therefore have not been included in the calculation of diluted earnings per share.

(w) Exploration and Evaluation Expenditure

The Company has adopted a policy of writing off exploration and evaluation expenditure at the end of the period in which it is incurred, unless a mineral resource has been estimated for the area of interest.

The Directors believe that this policy results in the carrying value of exploration expenditure more appropriately reflecting the definition of an asset, being future benefits controlled by the consolidated entity.

Costs arising from exploration and evaluation activities are carried forward where these activities have, at reporting date, reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves. The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas of interest. All costs carried forward are in respect of areas of interest in the exploration and evaluation phases and accordingly, production has not commenced.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount, in particular when exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area.

(x) Development Expenditure

All costs of evaluation, construction and commissioning, other than identifiable items of plant and equipment were accumulated as development costs and are amortised over the life of the mine using a units of production basis so as to write off the costs in proportion to the depletion of the proved and probable mineral reserves. Depreciation of equipment used during the construction and commissioning phase was capitalised to development costs.

(y) Provisions for environmental clean up costs

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the balance sheet date. These costs are charged to the income statement. Movements in the environmental clean up provisions are presented as an operating cost, except for the unwind of the discount which is shown as a financing cost.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Accounting standards and interpretations issued but not yet effective

In the year ended 30 June 2009, the Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2008. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below.

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 123 (revised Jun 2007)	Borrowing Costs	To the extent that borrowing costs are directly attributable to the acquisition, construction or production of a qualifying asset, the option of recognising borrowing costs immediately as an expense has been removed. Consequently all borrowing costs for qualifying assets will have to be capitalised.	Periods commencing on or after 1 January 2009	The transitional provisions of this standard only require capitalisation of borrowing costs on qualifying assets where commencement date for capitalisation is on or after 1 January 2009. As such, there will be no impact on prior period financial statements when this standard is adopted.

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 2008-1 (issued February 2008)	Amendments to AASB 2 – Share-based Payments – Vesting Conditions and Cancellations	The definition of vesting conditions has changed and the accounting treatment clarified for cancellations to share-based payment arrangements by the counterparty. This is to ensure that conditions other than performance conditions do not result in a 'true up' of the share-based payment expense and are treated in a manner similar to market conditions.	Periods commencing on or after 1 January 2009	To date the entity has not issued any options to employees that include non-vesting conditions and as such there will be no impact on the financial statements when this revised standard is adopted for the first time.
AASB 8 (Issued Feb 2007)	Operating Segments	Replaces the disclosure requirements of AASB 114: Segment Reporting.	Periods commencing on or after 1 January 2009	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, disclosures required for the operating segments will be significantly different to what is currently reported (business and geographical segment).
AASB 101 (Revised Sep 2007)	Presentation of Financial Statements	Amendments to presentation and naming of the financial statements.	Annual reporting periods commencing on or after 1 January 2009	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, there will be various changes to the way financial statements are presented and various changes to names of individual financial statements.

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 2009-2 (Issued April 2009)	Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments	Requires additional disclosures about financial instrument fair values and liquidity risk.	Periods commencing on or after 1 January 2009	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, various additional disclosures will be required about fair values of financial instruments and the entity's liquidity risk. No comparative disclosures are required in the first year that these amendments are applied.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2009. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

(aa) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

NOTE 2 FINANCIAL RISK MANAGEMENT

(a) General objectives, policies and processes

The Company's activities expose it to a variety of financial risks; market risk (including fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. Risk management is carried out by the Board of Directors under policies approved by the Board. The Board identifies and evaluates financial risks and provides written principles for overall risk management.

The main risks the Company is exposed to through its financial instruments are interest rate risk, liquidity risk, credit risk and price risk.

(b) Credit risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Group incurring a financial loss. This usually occurs when debtors or counterparties to derivative contracts fail to settle their obligations owing to the Group. The carrying amounts of cash and cash equivalents and, trade and other receivables totalling $2,849,055 (2008: $7,412,078) represent the Group's maximum exposure to credit risk in relation to financial assets.

There are also no significant credit risk issues relating to metal sales for the Group at the balance date with all customers on short credit terms and no balance in trade debtors at 30 June 2009.

The group's primary bankers are Macquarie Bank Limited and national Australia Bank Limited. At balance date all operating accounts and bonds led on deposit are with other banks. The Directors believe that risk associated with these banks is mitigated by their size and reputation. Except for this matter the Group has no significant concentrations of credit risk.

At balance date the intercompany loan between the Company and its wholly owned subsidiary was fully provided for (refer note 11) resulting in a charge to the income statement of $31,137,834 (2008: $18,000,000).

Other than the above no other impairment expense or reversal of impairment charge has occurred during the reporting period.

Amounts due by subsidiary entities to the parent as disclosed in Note 11 have been fully provided for as at 30 June 2009.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages its liquidity risk by monitoring its cash reserves and forecast spending. Management is cognisant of the future demands for liquid finance resources to finance the Company's current and future operations, and consideration is given to the liquid assets available to the Company before commitment is made to future expenditure or investment.

Subsequent to the end of the financial year having completed a capital raising to raise $4,000,000 (before costs) the Company emerged from voluntary administration on 13 October 2009 following termination of the Deeds of Company Arrangement.

NOTE 2 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financing arrangements

The following financing facilities were available at balance date:

	CONSOLIDATED		PARENT ENTITY	
	2009	2008	2009	2008
Bank loans	$	$	$	$
Total facilities:				
Used at balance date	-	586,652	-	-
Unused at balance date	-	1,213,348	-	-
	-	1,800,000	-	-

Maturity Analysis Group – At 30 June 2009	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
<u>Financial Assets</u>						
<u>Non-interest bearing</u>						
Cash and deposits	1,124,589	-	-	-	-	1,124,589
Receivables	28,942	-	-	-	-	28,942
<u>Variable Interest rate</u>						
Receivables	1,670,524	-	25,000	-	-	1,695,524
	2,824,055	-	25,000	-	-	2,849,055
<u>Financial Liabilities</u>						
<u>Non-interest bearing</u>						
Accounts payable and other creditors	4,241,745	-	-	-	-	4,241,745
<u>Variable interest rate</u>						
Bank loans	188,370	-	-	-	-	188,370
<u>Fixed interest rate</u>						
Bank loans	100,269	-				100,269
Convertible notes	8,931,703	-	-	-	-	8,931,703
	13,462,087	-	-	-	-	13,462,087
Net Financial Assets/(liabilities)	(10,638,032)	-	25,000	-	-	(10,613,032)

Group – At 30 June 2008	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Financial Assets						
Non-interest bearing						
Cash and deposits	37,593	-	-	-	-	37,593
Receivables	124,289	-	-	-	-	124,289
Variable Interest rate						
Cash and deposits	2,379,661	-	-	-	-	2,379,661
Fixed interest rate						
Cash and deposits	2,555,652	-	-	-	-	2,555,652
Receivables	-	25,000	-	-	-	25,000
	5,097,195	25,000	-	-	-	5,122,195
Financial Liabilities						
Non-interest bearing						
Accounts payable and other creditors	1,948,300	-	-	-	-	1,948,300
Variable interest rate						
Bank loans	825	927	5,705	93,683	-	101,140
Fixed interest rate						
Bank loans	253,512	176,628	156,512	-	-	586,652
Convertible notes	2,808,113	1,560,063	4,680,187	-	-	9,048,363
	5,010,750	1,737,618	4,842,404	93,683	-	11,684,455
Net Financial Assets/(liabilities)	86,445	(1,712,618)	(4,842,404)	(93,683)	-	(6,562,260)

Parent – At 30 June 2009	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Financial Assets						
Non-interest bearing						
Cash and deposits	325,714	-	-	-	-	325,714
Receivables	22,088	-	-	-	49,137,834	49,159,922
Variable Interest rate						
Cash and deposits	-	-	-	-	-	-
Fixed interest rate						
Cash and deposits	-	-	-	-	-	-
Receivables	-	-	25,000	-	-	25,000
	347,802	-	25,000	-	49,137,834	49,510,636
Financial Liabilities						
Non-interest bearing						
Accounts payable and other creditors	3,930,292	-	-	-	-	3,930,292
Variable interest rate						
Bank loans	188,370	-	-	-	-	188,370
Fixed interest rate						
Bank loans	-	-	-	-	-	-
Convertible notes	8,931,703	-	-	-	-	8,931,703
	13,050,365	-	-	-	-	13,050,365
Net Financial Assets/(liabilities)	(12,702,563)	-	25,000	-	49,137,834	36,460,271

Parent – At 30 June 2008	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Financial Assets						
Non-interest bearing						
Cash and deposits	2,834	-	-	-	-	2,834
Receivables	76,072	-	-	-	46,458,335	46,534,407
Variable Interest rate						
Cash and deposits	2,379,561	-	-	-	-	2,379,561
Fixed interest rate						
Cash and deposits	2,555,652	-	-	-	-	2,555,652
Receivables	-	25,000	-	-	-	25,000
	5,014,119	25,000	-	-	46,458,335	51,497,454
Financial Liabilities						
Non-interest bearing						
Accounts payable and other creditors	791,516	-	-	-	-	791,516
Variable interest rate						
Bank loans	-	-	-	-	-	-
Fixed interest rate						
Bank loans	-	-	-	-	-	-
Convertible notes	2,808,113	1,560,063	4,680,187	-	-	9,048,363
	3,599,629	1,560,063	4,680,187	-	-	9,839,879
Net Financial Assets/(liabilities)	1,414,490	(1,535,063)	(4,680,187)	46,458,335	-	41,657,575

(d) Market risk

Market risk arises from the use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk), commodity prices (commodity price risk) or other market factors (equity price risk).

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising any return.

(i) Interest rate risk

Borrowings

It is the Group's policy to eliminate interest rate risk over the cash flows on the majority of its long-term debt finance through the use of fixed rate instruments and to continuously monitor interest rate risk exposures during the period balances are held and to alter the balance of fixed and floating rate deposits as considered appropriate. The Group's only exposure to floating-rate borrowings is $104,000 borrowed over 25 years for the purchase of a house for mine staff accommodation. $100,269 was outstanding at 30 June 2009 (2008: $101,140) in respect of the loan and included in current and non-current borrowings. The loan is secured by a mortgage over the house purchased with the loan proceeds. The interest rate at 30 June 2009 was 5.24%. This floating-rate borrowing exposes the Group to the fluctuations in interest rates that are inherent in such a market.

For further details of exposure to interest rate risk refer Note 21 Non-Current Borrowings.

Deposits

As the group has significant interest bearing assets, the groups' income and operating cash flows are exposed to changes in market interest rates. The assets are short term interest bearing deposits and no financial instruments are employed to mitigate risk.

Sensitivity analysis

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date. At 30 June 2009, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Consolidated - 2009	Carrying Amount AUD	+ 50 basis points		- 50 basis points	
		Profit/(Loss)	Equity	Profit/(Loss)	Equity
	$	$	$	$	$
Financial assets					
Cash and cash equivalents	1,670,524	8,353	8,353	(8,353)	(8,353)
Receivables	25,000	125	125	(125)	(125)
Financial liabilities					
Interest-bearing loans and borrowings	188,370	(942)	(942)	942	942
After tax increase/ (decrease)		7,536	7,536	(7,536)	(7,536)

NOTE 2 FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivity analysis (continued)

Consolidated - 2008	Carrying Amount AUD	+ 50 basis points		- 50 basis points	
		Profit/(Loss)	Equity	Profit/(Loss)	Equity
	$	$	$	$	$
Financial assets					
Cash and cash equivalents	2,379,661	11,900	11,900	(11,900)	(11,900)
Receivables	-	-	-	-	-
Financial liabilities					
Interest-bearing loans and borrowings	825	(4)	(4)	4	4
After tax increase/ (decrease)		11,896	11,896	(11,896)	(11,896)

Parent - 2009	Carrying Amount AUD	+ 50 basis points		- 50 basis points	
		Profit/(Loss)	Equity	Profit/(Loss)	Equity
	$	$	$	$	$
Financial assets					
Cash and cash equivalents	-	-	-	-	-
Receivables	-	-	-	-	-
Financial liabilities					
Interest-bearing loans and borrowings	188,370	(942)	(942)	942	942
After tax increase/ (decrease)		(942)	(942)	942	942

Parent - 2008	Carrying Amount AUD	+ 50 basis points		- 50 basis points	
		Profit/(Loss)	Equity	Profit/(Loss)	Equity
	$	$	$	$	$
Financial assets					
Cash and cash equivalents	2,379,561	11,898	11,898	(11,898)	(11,898)
Receivables	-	-	-	-	-
After tax increase/ (decrease)		11,898	11,898	(11,898)	(11,898)

NOTE 2 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Currency risk

The Group's exposure to currency risk comes from the convertible notes issued during 2008. The convertible notes were issued, and are repayable, in US dollars (USD).

The policy of the Group for managing foreign exchange (currency risk) will be to continuously monitor exchange rates. It is a policy not to use hedging.

	USD	
Consolidated and Parent	**2009**	**2008**
	$	**$**
Convertible notes	7,247,184	8,700,000

Sensitivity analysis	**Carrying**	**USD 10% weaker**		**USD 10% stronger**	
Consolidated and Parent - 2009	**Amount AUD**	**Profit/(Loss)**	**Other Equity**	**Profit/(Loss)**	**Other Equity**
	$	**$**	**$**	**$**	**$**
Financial liabilities					
Convertible notes	8,931,703	811,973	811,973	(992,411)	(992,411)
After tax increase/ (decrease)		811,973	811,973	(992,411)	(992,411)

Sensitivity analysis	**Carrying**	**USD 10% weaker**		**USD 10% stronger**	
Consolidated and Parent - 2008	**Amount AUD**	**Profit/(Loss)**	**Other Equity**	**Profit/(Loss)**	**Other Equity**
	$	**$**	**$**	**$**	**$**
Financial liabilities					
Convertible notes	9,048,362	1,443,771	1,443,771	(246,138)	(246,138)
After tax increase/ (decrease)		1,443,771	1,443,771	(246,138)	(246,138)

Neither the Group nor the Parent had any other financial instruments with foreign currency exposure in 2009.

NOTE 2 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Commodity price risk

Commodity price risk is the risk of financial loss resulting from movements in the price of the Group's commodity inputs and outputs.

The Group is primarily exposed to commodity price risk arising from revenue derived from the sales of silver and, to a lesser extent, gold.

The Parent entity had no exposure to movements in metal prices.

The Group, and the Parent, had no financial instruments subject to commodity price risk at the balance date for either 2009 or 2008.

(iv) Equity price risk

The Group has investments in publicly listed companies and so exposes itself to the fluctuations in price that are inherent in such a market. The policy of the Group to manage equity prices (equity price risk) is to continually monitor the share prices and future prospects for the companies the Group invests in.

The Group and Parent's exposure to equity price risk came from investments listed on the Toronto Stock Exchange – Venture Exchange (TSX-V) and is as follows:

	ASX		TSX-V	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Listed Securities	-	588,650	1,627,215	8,444,425

The mineral exploration sector accounted for 100% of the Group and Parent's total investments in ASX and TSX-V listed shares.

Sensitivity analysis

The following sensitivity analysis summarises the impact of increases/decreases of the share prices of the Group's and the parent entity's investments in publicly listed companies. With all other variables held constant, post tax profit and equity would have been affected as follows:

Consolidated and Parent - 2009	**Carrying Amount AUD**	**+ 10% Share price movement**		**- 10% Share price movement**	
		Profit	**Other Equity**	**Profit**	**Other Equity**
Available for sale financial assets	**$**	**$**	**$**	**$**	**$**
Listed securities on ASX	-				
Listed securities on TSX-V	1,627,215	-	162,722	-	(162,722)
	1,627,215	-	162,722	-	(162,722)

The above analysis assumes all other variables remain constant.

Consolidated and Parent - 2008	**Carrying Amount AUD**	**+ 10% Share price movement**		**- 10% Share price movement**	
		Profit	**Other Equity**	**Profit**	**Other Equity**
Available for sale financial assets	**$**	**$**	**$**	**$**	**$**
Listed securities on ASX	588,650	-	41,205	-	(41,205)
Listed securities on TSX-V	8,444,425	-	591,110	-	(591,110)
	9,033,075	-	632,315	-	(632,315)

The above analysis assumes all other variables remain constant.

(e) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

NOTE 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and critical judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(b) Critical judgements in applying the entity's accounting policies

(i) Mine restoration provisions estimates

The calculation of rehabilitation and closure provisions (and corresponding capitalised closure cost assets where necessary) rely on estimates of costs required to rehabilitate and restore disturbed land to its original condition. These estimates are regularly reviewed and adjusted in order to ensure that the most up to date data is used to calculate these balances. Restoration provisions are disclosed in Note 22. There was an increase in the restoration provision in 2009 of $59,836 (2008: $3,516,578).

NOTE 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Significant judgement is required in determining the provision for mine rehabilitation as there are many transactions and other factors that will affect the ultimate costs required to rehabilitate the mine site. Factors that will affect this liability include future development, changes in technology, price increases and changes in interest rates.

(ii) Determination of Ore Reserves and Mineral Resources

The Group estimates its ore reserves and mineral resources based on information compiled by Competent Persons as defined in accordance with the *Australasian Code for Reporting of Mineral Resources and Ore Reserves* of December 2004 (the JORC code). Reserves determined in this way are used in the calculation of amortisation and impairment charges, the assessment of mine lives and for forecasting the timing of the payment of close down and restoration costs.

When a change in estimated recoverable silver ounces contained in proved and probable ore reserves is made, amortisation is accounted for prospectively.

(iii) Units of Production Method of Depreciation and Amortisation

The Group applies the units of production method for depreciation and amortisation of its mine assets based on ore tonnes mined. These calculations require the use of estimates and assumptions. Significant judgement is required in assessing the available reserves and the production capacity of the plants to be depreciated under this method. Factors that are considered in determining reserves, resources and production capacity are the Group's history of converting resources to reserves and the relevant timeframes, the complexity of metallurgy, markets and future developments. When these factors change or become known in the future, such differences will impact pre-tax profit and carrying value of assets.

(iv) Employee options

The Group uses a Black-Scholes option pricing model to determine the fair values of options granted to employees, and others, at their grant date. In order to use this pricing model the Group must make critical judgements and assumptions about a range of input variables to the model. These input variables include the expected price volatility of the underlying shares, the expected dividend yield, the risk-free interest rate for the term of the options, the impact of dilution and the non-tradeable nature of the options.

(v) Impairment

Assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts. The assessment of the carrying amount often requires estimates and assumptions such as discount rates, exchange rates, commodity prices, future capital requirements and future operating performance.

NOTE 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(vi) Going concern – working capital deficiency

At 30 June 2009 the Company and its subsidiary was in Administration and subject to a Deed of Company Arrangement (DOCA). The financial report records that the Group has incurred losses of $37,929,071 for the year ended 30 June 2009 (2008: $9,802,722), a working capital deficiency of $12,308,556 and a net asset deficiency of $8,678,810. Settlement of the DOCA occurred on 13th October 2009 following completion of a $4 million capital raising made pursuant to a prospectus dated 23 September 2009, and the Company was released from Administration. All creditors are bound by the Varied Deed of Company Arrangement and all claims against the Company have been released as of 13 October 2009 and there are no residual liabilities or potential recovery from former creditors against the company as of this date.

NOTE 4 REVENUE

	CONSOLIDATED		PARENT ENTITY	
	2009	2008	2009	2008
	$	$	$	$
Revenue from Continuing Operations				
Sales revenue (net of royalties and refining costs)	3,315,314	1,566,853	-	-
Administration fees and hire fees	130,757	357,130	130,757	705,709
Interest received / receivable from other corporations	148,288	485,587	93,450	363,995
Revaluation of investments	66,125	-	-	-
Smelter royalty (Note 27)	-	18,784	-	18,784
	3,660,484	2,428,354	224,207	1,088,488
Other Income				
Gain on foreign exchange	639,399	494,670	639,399	494,670
Gain on sale of plant and equipment	225,308	-	83,227	-
Gain on disposal of investment	1,779,153	57,906	1,779,153	57,906
Sundry	328,665	-	285,245	-
	2,972,525	552,576	2,787,024	552,576

NOTE 5 EXPENSES

	CONSOLIDATED		PARENT ENTITY	
	2009	2008	2009	2008
	$	$	$	$
Loss before income tax includes the following specific expenses:				
Depreciation and amortisation:				
Depreciation (Note 12)	276,116	787,175	11,959	133,540
Heap leach pad costs amortisation (Note 10)	-	181,891	-	-
Life of mine costs amortisation (Note 17)	-	1,477,825	-	-
Total depreciation and amortisation	276,116	2,446,891	11,959	133,540
Rental expenses on operating leases	37,239	80,936	34,584	80,936
Defined contribution superannuation expense	238,359	491,559	238,359	491,559
Provision for impairment of subsidiary loan account (significant item of expense)	-	-	31,137,834	18,000,000

NOTE 6 INCOME TAX	CONSOLIDATED 2009 $	2008 $	PARENT ENTITY 2009 $	2008 $
(a) Numerical reconciliation of income tax expense to prima facie tax payable / (tax loss)				
Profit / (Loss) from continuing operations before income tax expense	(37,929,071)	(11,753,094)	(42,200,013)	(19,350,937)
Tax at Australian tax rate of 30% (2008 – 30%)	(11,378,721)	(3,525,928)	(12,660,004)	(5,805,281)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Share of net loss of associates	-	144,770	-	-
Share based payments expense	-	82,680	-	50,880
Impairment of loans to subsidiaries	-	-	553,093	-
Other	(19,838)	-	-	-
	(11,398,559)	(3,298,478)	(12,106,911)	(5,754,401)
Previously unrecognised tax losses used to offset amounts	-	(1,950,372)	-	(1,950,372)
De-recognition of deferred tax asset previously brought to account	1,950,372	-	1,950,372	-
Deferred tax asset not brought to account	9,448,187	3,298,478	(10,156,539)	5,745,401
Income tax expense	-	(1,950,372)	-	(1,950,372)
(b) Amounts recognised directly in equity				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity				
Net deferred tax debited (credited) directly to equity	-	(1,950,372)	-	(1,950,372)
(c) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised	75,745,318	54,833,876	68,131,008	25,967,115
Potential tax benefit @ 30%	22,723,595	16,450,163	20,439,302	7,790,135

This benefit for tax losses will only be obtained if:

- assessable income of a nature and of an amount sufficient to enable the benefit to be realised is derived; and
- conditions for deductibility imposed by law continue to be complied with; and
- no changes in tax legislation adversely affect the ability in realising the benefit.

NOTE 6 INCOME TAX (CONTINUED)

	CONSOLIDATED		PARENT ENTITY	
	2009 $	**2008** $	**2009** $	**2008** $
(d) Deferred tax liabilities/(assets) not recognised				
Amounts recognised in profit or loss				
Exploration and evaluation and development costs	1,800,000	6,783,215	-	590,992
Provisions and sundry items	-	9,195,714	-	6,525,078
	1,800,000	15,978,929	-	7,116,070
Potential tax benefit @ 30%	540,000	4,793,679	-	2,134,821
Set-off deferred tax assets associated with carried forward losses not recognised	(540,000)	(4,793,679)	-	(2,134,821)
Net deferred tax liability	-	-	-	-

NOTE 7 CURRENT ASSETS: CASH & CASH EQUIVALENTS

	CONSOLIDATED		PARENT ENTITY	
	2009 $	**2008** $	**2009** $	**2008** $
Cash at bank and on hand	1,124,589	2,402,254	325,714	2,382,395
Deposits at call	-	2,555,652	-	2,555,652
	1,124,589	4,957,906	325,714	4,938,047

The cash at bank and deposits earn floating interest at 3% (2008: 7.5%).

The weighted average term for the deposits at call at 30 June 2009 was 67 days (2008: 67 days).

Refer also note 26 ‘Events Occurring after Balance Sheet Date’.

NOTE 8 CURRENT ASSETS: TRADE AND OTHER RECEIVABLES

	CONSOLIDATED		PARENT ENTITY	
	2009 $	**2008** $	**2009** $	**2008** $
Other receivables	28,942	149,289	22,088	76,072
Prepayments	-	147,221	-	147,221
	28,942	296,510	22,088	223,293

NOTE 9 CURRENT ASSETS: INVENTORIES

	CONSOLIDATED		PARENT ENTITY	
	2009 $	**2008** $	**2009** $	**2008** $
Work in progress	-	5,140,852	-	-
Consumables	-	158,585	-	-
	-	5,299,437	-	-

NOTE 10 CURRENT ASSETS: OTHER ASSETS/ DEFERRED MINING COSTS	CONSOLIDATED		PARENT ENTITY	
	2009	2008	2009	2008
	$	$	$	$
Deferred grade control	-	326,657	-	-
Heap leach pad preparation costs	-	944,493	-	-
Less heap leach pad costs amortisation	-	(181,891)	-	-
Drill rig costs carried forward	-	-	-	-
	-	1,089,259	-	-

Deferred mining costs are associated with grade control, heap leach pad and drill rig preparation activities and they are in relation to areas that will be mined or utilised within the next 12 months.

NOTE 11 NON-CURRENT ASSETS: RECEIVABLES	CONSOLIDATED		PARENT ENTITY	
	2009	2008	2009	2008
	$	$	$	$
Deposits – tenements and premises	1,695,524	2,157,662	25,000	37,338
Loans to controlled entities	-	-	49,137,834	46,458,335
Provision for impairment of subsidiary loan	-	-	(49,137,834)	(18,000,000)
	-	-	-	28,458,335
	1,695,524	2,157,662	25,000	28,495,673

NOTE 12 NON CURRENT ASSETS: PROPERTY, PLANT AND EQUIPMENT	CONSOLIDATED		PARENT ENTITY	
	2009	2008	2009	2008
	$	$	$	$
Plant and Equipment				
Plant and equipment at cost	11,329,857	11,152,112	680,489	672,485
Less accumulated depreciation	(2,909,296)	(2,724,377)	(401,065)	(389,106)
Less Impairment	(6,352,581)	-	(10,283)	-
	2,067,980	8,427,735	269,141	283,379
Reconciliation				
Reconciliation of the carrying amount of property, plant and equipment at the beginning and end of the financial year are set out below:				
Carrying amount at the beginning of the financial year	8,427,735	8,490,036	283,379	407,913
Additions	177,745	879,046	8,004	24,248
Disposals	-	(30,001)	-	(15,242)
Depreciation expense	(184,919)	(787,175)	(11,959)	(133,540)
Depreciation capitalised to exploration	-	(124,171)	-	-
Impairment	(6,352,581)	-	(10,283)	
Carrying amount at the end of the financial year	2,067,980	8,427,735	269,141	283,379

NOTE 12 NON CURRENT ASSETS: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The carrying value of plant and equipment as at 30 June 2009 based on an independent valuation completed by the Dominion Group at 20 November 2008. The valuation is based on the indicative liquidation values at that date.

(a) Non-current assets pledged as security

Refer to note 21 for information on non-current assets pledged as security by the parent entity and its controlled entities.

NOTE 13 NON CURRENT ASSETS: INVESTMENTS PREVIOUSLY ACCOUNTED FOR USING THE EQUITY METHOD	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	PARENT ENTITY 2009 $	PARENT ENTITY 2008 $
Shares in associate New Guinea Gold Corporation (note 14, 35)	-	-	-	-

NOTE 14 NON CURRENT ASSETS: AVAILABLE-FOR-SALE FINANCIAL ASSETS	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	PARENT ENTITY 2009 $	PARENT ENTITY 2008 $
Listed equity securities				
Shares – Malachite Resources N.L.	-	382,500	-	382,500
Shares – Frontier Resources Ltd	-	206,150	-	206,150
Shares – New Guinea Gold Corporation	1,627,215	8,444,425	1,627,215	8,444,425
	1,627,215	9,033,075	1,627,215	9,033,075

Refer also note 26 'Events Occurring after Balance Sheet Date'.

(a) Investments in related parties

Refer to notes 15, 18, 35 and 36 for information on the carrying amount of investments in joint ventures, associates and subsidiaries.

NOTE 15 NON CURRENT ASSETS: OTHER FINANCIAL ASSETS	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	PARENT ENTITY 2009 $	PARENT ENTITY 2008 $
Unlisted equity securities				
Shares in subsidiary (note 36)	-	-	33,802	33,802
	-	-	33,802	33,802

No dividends were received or receivable during the financial year.

NOTE 16 MINERAL EXPLORATION AND EVALUATION EXPENDITURE	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	PARENT ENTITY 2009 $	PARENT ENTITY 2008 $
Expenditure carried forward in respect of areas of interest:				
Pre Production – Exploration and evaluation phase				
Balance at the beginning of the financial year	6,783,215	6,167,578	-	590,992
Expenditure during the year – capitalised	-	1,635,861	-	732,697
Amounts written off during the year	(6,783,215)	(1,020,224)	-	(732,697)
Balance at the end of the financial year	-	6,783,215	-	590,992

NOTE 16 MINERAL EXPLORATION AND EVALUATION EXPENDITURE(CONTINUED)

Given the current uncertainty associated with the recoverability of deferred mineral exploration and development expenditure the Directors considered it prudent to write off this expenditure to $Nil.

NOTE 17 MINERAL DEVELOPMENT EXPENDITURE

	CONSOLIDATED		PARENT ENTITY	
	2009	2008	2009	2008
	$	$	$	$
Balance at the beginning of the financial year	11,252,447	12,867,400	-	-
Expenditure during the year	115	331,728	-	-
Life of mine costs amortisation	-	(1,477,825)	-	-
Provision for rehabilitation capitalised	-	-	-	-
Provision for rehabilitation amortised	-	(468,856)	-	-
Amounts written off during the year	(8,982,562)	-	-	-
Balance at the end of the financial year	2,270,000	11,252,447	-	-

The ultimate recoupment of costs carried forward for mineral development expenditure is dependent upon the successful development and commercial exploitation or sale of the respective areas of interest.

Based on a review undertaken by the current directors, the directors have determined the carrying value of deferred mineral development expenditure to be $2,270,000 represented as follows:

Tenements	1,800,000
Properties	470,000
	2,270,000

NOTE 18 INTERESTS IN JOINT VENTURES

Under a Joint Venture Agreement dated 10 December 2004 with Malachite Resources NL (Malachite), the Company acquired a 60% interest in two exploration tenements to the value of $590,992 (including Stamp Duty) included in Exploration Expenditure (note 16). By June 2006 the Company had sole funded exploration of $500,000 on the tenements increasing its interest in the tenements to 75%. Malachite has elected to resume proportional funding to bankable feasibility. The sole funded $500,000 of exploration, and all later exploration expenditure has subsequently been written off.

The consolidated entity's interests of $590,992 in the assets employed in the joint venture are included on the consolidated balance sheet, in accordance with the accounting policy described in note 1, under Exploration and Evaluation Expenditure (note 16), and have been written off at year end.

NOTE 19 CURRENT LIABILITIES: TRADE AND OTHER PAYABLES	**CONSOLIDATED**		**PARENT ENTITY**	
	2009 $	**2008 $**	**2009 $**	**2008 $**
Unsecured				
Trade creditors	3,827,575	1,670,270	3,831,810	513,486
Deed Administrators' Fee	370,723	-	-	-
Other creditors	-	278,030	98,482	278,029
Aggregate employee benefit and related on-costs liabilities	43,447	443,790	-	273,046
	4,241,745	2,392,090	3,930,292	1,064,561

Refer also note 26 'Events occurring after Balance Sheet Date'.

Interest rate risk exposures
Details of the Group's exposure to interest rate changes on borrowings are set out in note 2 and 21.

NOTE 20 CURRENT LIABILITIES: BORROWINGS	**CONSOLIDATED**		**PARENT ENTITY**	
	2009 $	**2008 $**	**2009 $**	**2008 $**
Secured				
Chattel mortgage	188,370	430,140	188,370	-
Building mortgage	100,269	1,752	-	-
Convertible notes	8,931,703	4,368,175	8,931,703	4,368,175
	9,220,342	4,800,067	9,120,073	4,368,175

Further information relating to borrowings is set out in note 21.

NOTE 21 NON-CURRENT LIABILITIES: BORROWINGS	**CONSOLIDATED**		**PARENT ENTITY**	
	2009 $	**2008 $**	**2009 $**	**2008 $**
Secured				
Chattel mortgage	-	156,512	-	-
Building mortgage	-	99,387	-	-
Convertible notes	-	4,132,406	-	4,132,406
	-	4,388,305	-	4,132,406

The chattel mortgage facility was established to provide up to a maximum outstanding balance at any time of $1,800,000 (on a 60% finance / 40% equity basis) toward the purchase of equipment to be used in the Twin Hills Mine Development. As at 30 June 2009 the facility has been cancelled. The remaining amount outstanding will be finalised under the Recapitalisation Deed of the Company.

The consolidated entity borrowed $104,000 toward the purchase of a house for mine staff accommodation. Liabilities in respect of the loan are included in current borrowings ($100,269). Interest is variable and at balance date was 5.24% (2008: 8.96%).

The Convertible Noted issued to YA Global Investments L.P. trading as Cornell Capital Partners Offshore, LP to fund upgrades at Twin Hills Silver Mine and further mineral exploration will also be finalised under the Recapitalisation Deed entered into by the Company.
Refer note 26 'Events Occurring after Balance Sheet Date'.

NOTE 22 NON-CURRENT LIABILITIES: PROVISIONS	**CONSOLIDATED 2009 $**	**CONSOLIDATED 2008 $**	**PARENT ENTITY 2009 $**	**PARENT ENTITY 2008 $**
Employee benefit Long Service Leave	-	25,822	-	20,716
Mine rehabilitation provision	4,028,973	3,969,137	-	-
	4,028,973	3,994,959	-	20,716
Movements				
Mine rehabilitation provision				
Balance 1 July	3,969,137	3,738,552	-	-
Increase in provision	-	-	-	-
Wind-back discount to NPV	59,836	230,585	-	-
Rehabilitation conducted	-	-	-	-
	4,028,973	3,969,137	-	-

As explained in note 1, the liability for long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date.

NOTE 23 CONTRIBUTED EQUITY	**PARENT ENTITY 2009 Shares**	**PARENT ENTITY 2008 Shares**	**PARENT ENTITY 2009 $**	**PARENT ENTITY 2008 $**
(a) Paid Up Capital				
Ordinary shares – fully paid – no par value	511,098,640	482,881,776	71,524,407	69,599,596

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and in a poll each share is entitled to one vote.

Date	**Details**	**Number of Shares**	**Issue Price $**	**$**
30 Jun 2008	Opening Balance	482,881,776		69,599,596
9 July 2008	Convertible Note Conversion – second tranche*	3,464,559	0.091876	318,310
13 Aug 2008	Convertible Note Conversion – third tranche*	4,962,976	0.064663	320,921
28 Aug 2008	Exercise of unlisted options for shares – proceeds received	13,179	0.25	3,295
17 Sep 2008	Convertible Note Conversion – fourth tranche*	6,403,147	0.056615	362,514
29 Sep 2008	Entitlement Issue – proceeds received	13,356,503	0.07	934,955
7 Oct 2008	Exercise of unlisted options for shares			
	Proceeds received	16,500	0.25	4,125
	Less transactions costs arising on issues			(19,309)
30 June 2009	Balance	511,098,640		71,524,407

*Issues other than for cash

NOTE 23 CONTRIBUTED EQUITY (CONTINUED)

Subsequent to the end of the financial year the share capital of the Company was consolidated on the basis of every 20 shares be consolidated into 1 share.

Refer note 26 'Events Occurring after Balance Sheet Date'.

(c) Options	No. of Options 2009	2008
The number of unissued ordinary shares relating to options not exercised at year end:		
Over shares in the Parent Entity:		
- Options exercisable on or before 30 October 2008 at 25 cents**	-	88,113,836
- Options exercisable on or before 30 September 2011 at 8 cents	13,356,503	-
- Non-transferable options exercisable on or before 12 November 2008 at 20 cents	-	4,097,500
- Non-transferable options exercisable on or before 1 December 2008 at 15 cents	-	300,000
- Non-transferable options exercisable on or before 1 November 2009 at 20 cents	1,512,500	1,512,500
- Non-transferable options exercisable on or before 14 August 2011 at 45 cents	8,475,000	8,475,000
- Non-transferable options exercisable on or before 9 November 2012 at 48 cents	5,000,000	5,000,000
- Non-transferable options exercisable on or before 29 November 2010 at 28 cents	5,200,000	5,200,000
	33,544,003	112,698,836

**includes options granted under the Rights Issue on 6 and 27 February 2008 less listed options exercised during the year.

Subsequent to the end of the financial year, the options were consolidated whereby every 20 options were consolidated into one option with the exercise price amended in increase proportion to that ratio.

Refer note 26 'Events Occurring after Balance Sheet Date.'

(d) Option Issues

Date	Details	Number of Options	Exercise Price	Expiry Date
29 Sep 2008	Entitlement Issue	13,356,503	$0.08	30 Sep 2011

(e) Option Exercise

During the year a total of 29,679 options were exercised.

(f) Option Expiry

92,481,071 options expired during the financial year.

(g) Option Cancellation

No unlisted options were cancelled during the financial year.

NOTE 24 RESERVES AND ACCUMULATED LOSSES	**CONSOLIDATED**		**PARENT ENTITY**	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
(a) Reserves				
Available-for-sale investments revaluation reserve	-	6,394,375	-	4,484,606
Share-based payments reserve	2,271,451	2,271,451	2,271,451	2,271,451
Reserves attributable to associate	-	-	-	-
	2,271,451	8,665,826	2,271,451	6,756,057
Movements				
Available-for-sale investments revaluation reserve				
Balance 1 July	6,394,375	644,078	4,484,606	644,078
Revaluation – (note 14)	(6,394,375)	7,058,043	(4,484,606)	5,790,900
Transfer from reserves attributable to associate	-	642,626	-	-
Deferred tax on revaluation	-	(1,950,372)	-	(1,950,372)
Balance 30 June	-	6,394,375	-	4,484,606
Share-based payments reserve				
Balance 1 July	2,271,451	1,769,424	2,271,451	1,769,424
Employee Option expense	-	275,600	-	169,600
Options issued to employees of subsidiaries	-	-	-	106,000
Options granted as part of funding costs	-	257,000	-	257,000
Transfer to share capital (options exercised)	-	(30,573)	-	(30,573)
Balance 30 June	2,271,451	2,271,451	2,271,451	2,271,451
Reserves attributable to associate				
Balance 1 July	-	642,626	-	-
Share of post acquisition reserves	-	-	-	-
Transfer to available-for-sale investments revaluation reserve	-	(642,626)	-	-
Balance 30 June	-	-	-	-
(b) Accumulated losses				
Movements in accumulated losses were as follows:				
Balance 1 July	(44,543,597)	(34,740,875)	(42,343,250)	(24,942,685)
Net Profit / (Loss) for the year	(37,929,071)	(9,802,722)	(42,200,013)	(17,400,565)
Balance 30 June	(82,472,668)	(44,543,597)	(84,543,263)	(42,343,250)

NOTE 24 RESERVES AND ACCUMULATED LOSSES (CONTINUED)

(c) Nature and purpose of reserves

(i) Available-for-sale investments revaluation reserve

Changes in the fair value and exchange differences arising on translation of investments, such as equities, classified as available-for-sale financial assets, are taken on the available-for-sale investments revaluation reserve, as described in note 1(k)(ii). Amounts are recognised in profit and loss when the associated assets are sold or impaired.

(ii) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued as part of remuneration but not exercised.

(iii) Reserves attributable to associate

The Reserves attributable to associates records the equity accounted value of the consolidated entity's share in former associate New Guinea Gold Corporation reserves.

NOTE 25 COMMITMENTS

	CONSOLIDATED		PARENT ENTITY	
(a) Exploration Expenditure Commitments	**2009 $**	**2008 $**	**2009 $**	**2008 $**
In order to maintain rights of tenure to exploration tenements the Company and the consolidated entity are required to perform exploration work to meet the minimum expenditure requirements as specified by various governments.				
Outstanding obligations are not provided for in the accounts and are payable:				
Not later than 1 year	169,833	828,000	169,833	66,000
Later than 1 year but not later than 3 years	345,500	180,000	345,500	110,000
	515,333	1,008,000	515,333	176,000
(b) Joint Venture Commitments				
Future exploration joint venture commitments not provided for in the financial statements and payable:				
Not later than 1 year	32,250	67,000	32,250	67,000
Later than 1 year but not later than 3 years	46,225	38,000	46,225	38,000
	78,475	105,000	78,475	105,000
(c) Operating Lease Commitments				
Future operating lease rentals not provided for in the financial statements and payable:				
Not later than 1 year	191,467	3,246,000	191,467	75,000
Later than 1 year but not later than 2 years	-	2,040,000	-	61,000
Later than 2 years but not later than 5 years	-	471,000	-	63,000
	191,467	5,757,000	191,467	199,000

NOTE 26 EVENTS OCCURRING AFTER BALANCE SHEET DATE

The Deed Administrator accepted a recapitalisation proposal by Alcyone Mining Limited and Cygnet Capital Pty Ltd ('Syndicate') for the restructuring and recapitalisation of the Company and Texas including upfront and delayed payments to the creditor's trusts of the Company and Texas. The Recapitalisation Deed was executed on 27 July 2009.

On 6 August 2009, the Company and Texas obtained the approval of their creditors to vary existing Deeds of Company Arrangement (DOCAs) to facilitate the recapitalization so that all claims of creditors against the Company and Texas were extinguished following a number of cash payments, some upfront and some delayed, the issue of Company Shares, the grant of two royalties, which when combined, equate to a 3% gross revenue royalty on specified silver production, and the transfer of certain assets to the creditors' trusts of the Company and Texas.

The Recapitalisation Proposal from the Syndicate can be summarised as follows:

(a) all liabilities, contingent liabilities, obligations, warranties and long term commitments of the Company and Texas be released and compromised by the DOCAs;

(b) Consolidation of the Company's issued capital on a twenty (20) for one (1) basis;

(c) after the Consolidation, the Company undertake the following capital raisings and issues of securities:
   - (i) an issue of 150,000,000 Shares at an issue price of 0.1 cents each to the Syndicate (or its nominees) to raise $150,000 or, at the Syndicate's election, to be set off the Syndicates' reasonable costs incurred under the recapitalisation;
   - (ii) an issue of 150,000,000 free Options exercisable at 1 cent each on or before 1 October 2012;
   - (iii) an issue of between 350,000,000 and 400,000,000 Shares at an issue price of not less than 1 cent each to raise between $3,500,000 and $4,000,000; and
   - (iv) an issue of 25,000,000 Shares to the Creditors' Trust at a deemed issue price of 1 cent each;

(d) of the funds referred to above, $500,000 be made available to the Creditors Trust of the Company and Texas plus a payment of between $100,000 (or $117,500 if completion of the recapitalisation occurs after 19 October 2009) for care and maintenance costs of the Twin Hills mine incurred after 27 July 2009 and prior to completion;

(e) the Company pay the Creditors' Trust a further $500,000 upon recommencement of commercial silver production from the Twin Hills mine, provided that within 18 months of completion of the recapitalisation, if the boards of the Company and Texas do not pass resolutions to recommence commercial silver production, the Company will, in lieu of paying $500,000 as setout above, pay the Creditors' Trust $150,000 and issue the Creditors' Trust with that number of Shares that, when combined with the 25,000,000 Shares issued on completion, equals 15% of the issued capital of the Company as at the date the Company are reinstated to trading on the ASX;

(f) at the time the Company pays the amount of $500,000 or $150,000 as set out above, the Company must also pay the Creditors' Trust the remaining Care and Maintenance Costs, less the initial payment for Care and Maintenance Costs made at completion, the total amount paid does not exceed $200,000 (or $235,000 if completion of the recapitalisation occurs after 19 October 2009);

NOTE 26 EVENTS OCCURRING AFTER BALANCE SHEET DATE (CONTINUED)

(g) the Company will grant a silver royalty to the Creditors' Trust and a separate silver royalty to the major secured creditor, YA Global Investments LP, the latter being secured by a mortgage over the real property underlying the Twin Hills mine;

(h) the Company and Texas will retain all of their assets, other than Excluded Assets, which are to be transferred to the Creditors' Trust.

Excluded Assets are:

- Any cash held by the Companies at Settlement (excluding any cash held as backing for the environmental bonds in respect of the Companies tenements and any cash raised under the Capital Raising or through the issue of the Promoter Shares).
- All outstanding accounts receivable of the Companies at Settlement.
- Any silver powder held at the Twin Hills Mines site as well as any silver powder or silver bullion held by Siltech Pty Ltd or CMA Recycling Pty Ltd or in transit at Settlement.
- The shares held by Alcyone in New Guinea Gold Corporation, Frontier Resources Limited and Malachite Resources Limited.
- The New Guinea Gold Royalty.
- The allowable research and development tax offset refunds for the 2006, 2007 and 2008 income tax years. To the extent that these tax refunds cannot be transferred to the Creditor's Trust, Alcyone will hold these on trust and pay the equivalent of the refund received to the Creditors' Trust within 5 Business Days of receiving same.
- All choses in action (being a right that the Companies' have to commence litigation) available to the Companies at Settlement.

(i) the Company and Texas grant YA Global a first right to participate in future debt financing of the Twin Hills mine or debt financing secured against the Company's assets as at the completion date until such time as the Company has paid out the royalty granted to YA Global;

(j) the current directors of the Company be removed and replaced by nominees of the Syndicate;

(k) following completion of all of the matters set out above (other than paragraph (e)), the DOCAs will be terminated and the Company will seek reinstatement of its Shares to trading on ASX; and

(l) the Recapitalisation Proposal was conditional on:

(i) the Company Shareholders approving certain resolutions to enable the proposed restructuring and recapitalisation to be completed.

(ii) the Company receiving valid applications under a prospectus together with cleared funds for a minimum of $3,500,000; and

(iii) ASX confirming in writing that it will lift the suspension on trading of the Shares immediately following Completion on terms satisfactory to the Syndicate and the Administrator, acting reasonably, without the need to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

NOTE 26 EVENTS OCCURRING AFTER BALANCE SHEET DATE (CONTINUED)

At a general meeting of shareholders convened on 1 October 2009, shareholders approved the following:

- Consolidation of the issued capital of the Company on the basis that;
  - Every 20 shares be consolidated to 1 share.
  - Every 20 options be consolidated to 1 with the exercise price amended in inverse proportion to that ratio.

- Issue of 35,000,000 shares at an issue price of 0.1 cent each and 35,000,000 promoter options exercisable by payment of 1 cent each on or before 30 September 2012 to Mr Andrew King or nominee.

- Issue of 35,000,000 shares at an issue price of 0.1 cent each and 35,000,000 promoter options exercisable by payment of 1 cent each on or before 30 September 2012 to Mr Richard Harris or nominee.

- Issue of 3,000,000 shares at an issue price of 1 cent each to Mr Charles Morgan or nominee.

- Issue of 150,000,000 shares at an issue price of not less than 0.1 cent each to the syndicate or their nominees to raise $150,000 less set off of any reasonable costs incurred under the Recapitaliastion.

- Issue of 150,000,000 promoter options to the syndicate or nominees exercisable by payment of 1 cent each on or before 30 September 2012.

- Issue of 400,000,000 shares at an issue price of not less than 1 cent each to raise $4,000,000.

- Issue of 25,000,000 shares at a deemed price of not less than 1 cent each to the Creditors Trust.

- Change the Company name to Alcyone Resources Ltd.

- Adopt a new Constitution.

On 8 October 2009 the Company announced the completion of the capital raising, raising $4,000,000 by the issue of 400,000,000 shares at 1c each.

During the period 1 October to 13 October 2009, all resolutions passed at the General Meeting and all the requirements of the Recapitalisation Deed were effectuated.

Having satisfied all conditions of the Recapitalisation Deed, on 13th October the Company announced the termination of the Deeds of Company Arrangement and emerged from Voluntary Administration.

All securities were allotted and issued by 19 October 2009.

NOTE 27 RELATED PARTY TRANSACTIONS

Wholly-owned group
The wholly-owned group and the consolidated entity consist of Alcyone Resources Ltd and its wholly-owned subsidiary, Texas Silver Mines Pty Ltd. Ownership interest in this subsidiary is set out in Note 36. The ultimate parent entity in the wholly-owned group and the consolidated entity is Alcyone Resources Ltd.

Texas Silver Mines Pty Ltd is incorporated in and operates in Australia.

Transactions between Alcyone Resources Ltd and its subsidiary in the wholly-owned group during the year ended 30 June 2009 consisted of loan funds of $2,574,276 advanced by Alcyone Resources Ltd (2008: $13,367,547) and a fee of $105,223 for administrative and accounting costs (2008: $348,579).

As at 30 June 2009 the subsidiary owed Alcyone Resources Ltd $49,137,834 (2008: $46,458,335), as shown in note 11. The loan has been fully provided for at 30 June 2009.

The above transactions were made on normal commercial terms and conditions and at market rates, except that with respect to the intercompany loan balance, are unsecured, there are no fixed terms for the repayment of principal and no interest has been charged.

Joint venture with Malachite Resources NL
The Company is in an exploration and evaluation joint venture with Malachite as detailed in note 18.

Ownership interests in related parties
Interests held in the following classes of related parties are set out in the following notes:
(a) associates – note 35
(b) subsidiary – note 36

Production bonus from associate
The Company is entitled to receive a 1% Net Smelter Royalty (NSR) from its former associate, New Guinea Gold Corporation (NGG) for any future mine production from certain projects owned by NGG. In addition, if a mine is developed on those NGG properties and production is achieved in excess of 50,000 ounces of gold or equivalent in any year, the Company is entitled to receive a once-only issue of 9% of NGG's issued share capital. As at 30 June 2009 the total NSR received from NGG was $nil (2008: $18,784).

This asset is included in the Excluded Assets referred to in the Recapitalisation Deed transferred to the Creditors Trust on settlement (refer note 26 'Events Occurring after Balance Sheet Date').

NOTE 28 KEY MANAGEMENT PERSONNEL DISCLOSURES

	CONSOLIDATED		PARENT ENTITY	
	2009 $	2008 $	2009 $	2008 $
(a) Key management personnel compensation				
Short-term employee benefits	364,295	559,870	364,295	559,870
Post-employment benefits	32,758	387,692	32,758	387,692
Share-based payments	-	132,500	-	132,500
	397,053	1,080,062	397,053	1,080,062

Key management personnel compensation is in respect of the period 1 July 2008 to 3 November 2008 being the date the Company and its subsidiary appointed Voluntary Administrators.

NOTE 28 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(b) Equity Instrument disclosures relating to key management personnel

(ii) Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by key management personnel of the consolidated entity, including their personally-related entities, are set out below.

2009 Name	Balance at the start of the year Number	Granted during the year as compensation Number	Exercised during the year Number	Other changes during the year** Number	Balance at the end of the year Number	Vested and exercisable at the end of the year Number
Directors						
R.D. McNeil (Resigned 11.09.09)	3,588,380	-	-	-	3,588,380	3,588,380
D.M. O'Neill (Resigned 11.09.09)	1,264,251	-	-	-	1,264,251	1,264,251
P.A. McNeil (Resigned 06.11.08)	170,982	-	-	-	170,982	170,982
G.G. Lowder (Resigned 05.11.08)	20,000	-	-	-	20,000	20,000
E.G. Newman (Resigned 14.08.09)	561,582	-	-	-	561,582	561,582
Other key management personnel of the Group						
G.M. Edwards (Resigned 9.12.08)	2,700,000	-	-	-	2,700,000	2,700,000
J.G. Magnussen (Resigned 9.12.08)	1,000,000	-	-	-	1,000,000	1,000,000
	9,305,195				9,305,195	9,305,195

NOTE 28 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(c) Equity Instrument disclosures relating to key management personnel (Continued).

(ii) Option holdings (continued)

2008

Former Directors						
R.D. McNeil (Resigned 11.09.09)	3,038,380	-	-	550,000	3,588,380	3,588,380
D.M. O'Neill (Resigned 11.09.09)	1,520,935	-	-	(256,684)	1,264,251	1,264,251
P.A. McNeil (Resigned 06.11.08)	615,982	-	(257,500)	(187,500)	170,982	170,982
G.G. Lowder (Resigned 05.11.08)	20,000	-	-	-	20,000	20,000
E.G. Newman (Resigned 14.08.09)	806,567	-	-	(244,985)	561,582	561,582
Other key management personnel of the Group						
G.M. Edwards	1,200,000	1,500,000	-	-	2,700,000	1,200,000
J.G. Magnussen	-	1,000,000	-	-	1,000,000	-
	7,201,864	2,500,000	(257,500)	(139,169)	9,305,195	6,805,195

** Other changes during the year include other acquisitions for Directors and their related parties.

NOTE 28 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(iii) Share holdings

The numbers of shares in the Company held during the financial year by key management personnel of the consolidated entity, including their personally-related entities, are set out below.

2009 Name	Balance at the start of the year Number	Received during the year on the exercise of options Number	Other changes during the year** Number	Balance held directly at the date of resignation Number	Held nominally at the date of resignation Number
Directors					
R.D. McNeil (Resigned)	7,011,743	-	(777,720)	1,000,667	5,233,356
D.M. O'Neill (Resigned)	5,119,870	-	(613,868)	186,668	4,319,334
P.A. McNeil (Resigned)	315,000	-	-	75,000	240,000
G.G. Lowder (Resigned)	321,497	-	-	321,497	-
E.G. Newman (Resigned)	60,171	-	-	60,171	-
Other key management personnel of the Group					
G.M. Edwards (Resigned)	-	-	-	-	
J.G. Magnussen (Resigned)	-	-	-	-	

2008 Name	Balance at the start of the year Number	Received during the year on the exercise of options Number	Other changes during the year** Number	Balance at the end of the year Number
Directors				
R.D. McNeil	7,061,743	-	(50,000)	7,011,743
D.M. O'Neill	5,069,870	-	50,000	5,119,870
P.A. McNeil	370,000	257,500	(312,500)	315,000
G.G. Lowder	321,497	-	-	321,497
E.G. Newman	50,142	-	10,029	60,171
Other key management personnel of the Group				
G.M. Edwards	-	-	-	-
J.G. Magnussen	-	-	-	-

** Other changes during the year include other acquisitions and disposals for key management personnel and their related parties.

NOTE 28 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(c) Loans to Directors and executives

No loans were made to Directors of Alcyone Resources Ltd (Formerly Macmin Silver Ltd) or the specified executives of the consolidated entity, including their personally-related entities (2008: Nil).

(d) Other transactions with key management personnel

No other transactions occurred between the Company and the Directors of Alcyone Resources Ltd or the specified executives except for the reimbursement at cost of expenditure incurred on behalf of the Company.

NOTE 29 SHARE-BASED PAYMENTS

(a) Alcyone Resources Ltd (Formerly Macmin Silver Ltd) Employee Option Plan

The Directors of the Company may issue options to subscribe for shares in the Company to employees and consultants of the Company, a company related to the Company ("Related Company") and any joint venture in which the Company or a Related Company participates. However, no options are to be issued to Directors of the Company pursuant to the Plan. No options were issued to consultants in 2009 (2008: Nil).

Each option entitles the holder to subscribe for one fully paid ordinary share in the capital of the Company.

The options are exercisable from one year after the date of issue until the expiry date. The options shall expire at 5.00 p.m. eastern standard time, on the first business day three (3) years after the date of issue of the options or such earlier date as the Directors determine at the time of issue ("expiry date"). Options may only be exercised in multiples of 5,000, unless exercising all the holder's remaining options. Any options not exercised by the expiry date shall lapse.

The exercise price of each option will be 110% of the average of the market closing price for company ordinary shares over the 5 business days prior to the day on which options are issued (rounded up to the nearest full cent) or a greater price determined by the directors. The amount calculated by that average is to be advised to employees at the time of issue of the options.

Exercise of the options is effected by delivery of a Notice of Exercise to the registered office of the Company together with payment of the exercise price of the options. Shares will be issued pursuant to the exercise of the options not more than 14 days after receipt by the Company from the option holder of the Notice and the exercise price in respect of the options.

Options may not be exercised if the effect of such exercise and subsequent allotment of shares would be to create a holding of less than a marketable parcel of ordinary shares unless the allottee is already a shareholder of the Company at the time of exercise.

Options are not transferable. Application will not be made to Australian Securities Exchange Limited ("ASX") for their Official Quotation.

All shares issued upon exercise of the options and payment of the exercise price will rank pari passu in all respects with the Company's then existing ordinary fully paid shares. The Company will apply for Official Quotation by ASX Limited of all shares issued upon exercise of the options.

NOTE 29 SHARE-BASED PAYMENTS (CONTINUED)

There are no participating rights or entitlements inherent in the options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the books closing date will be at least 7 business days after the issue is announced. This will give optionholders the opportunity to exercise their options prior to the date for determining entitlements to participate in any such issue.

In the event of any reconstruction, including a consolidation, sub-division, reduction or return of the issued capital of the Company prior to the expiry date, the number of options to which each holder is entitled or the exercise price of the options or both will be reconstructed as appropriate in a manner which is in accordance with the Listing Rules then applying and which will not result in any benefits being conferred on optionholders which are not conferred on shareholders, subject to such provisions with respect to the rounding of entitlements as may be sanctioned by the meeting of shareholders approving the reconstruction of capital, but in all other respects the terms of exercise of the options will remain unchanged.

If an optionholder under this Plan ceases to be substantially involved with the company, the Directors, at their discretion may cancel all or part of the holder's options obtained under this plan after giving the holder 60 days notice of their intention to do so.

Set out below are summaries of options granted under the plan.

Grant Date	Exercise Date	Exercise Price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
Consolidated and parent entity - 2009								
13 Nov 2003	12 Nov 2008	$0.20	2,560,000	-	-	(2,560,000)	-	-
16 Nov 2004	12 Nov 2008	$0.20	1,537,500	-	-	(1,537,500)	-	-
03 Aug 2005	01 Dec 2008	$0.15	300,000	-	-	(300,000)	-	-
13 Oct 2005	01 Nov 2009	$0.20	1,512,500	-	-	-	1,512,500	1,512,500
14 Aug 2006	14 Aug 2011	$0.45	8,475,000	-	-	-	8,475,000	8,475,000
27 Nov 2007	29 Nov 2010	$0.28	5,200,000	-	-	-	5,200,000	5,200,000
		Total	19,585,000	-	-	(4,397,500)	15,187,500	15,187,500
Weighted average exercise price			$0.19	-	-	$0.05	$0.37	$0.37

The weighted average remaining contractual life of options outstanding at reporting date is 1.68 years (2008: 2.2 years)

NOTE 29 SHARE-BASED PAYMENTS (CONTINUED)

Grant Date	Exercise Date	Exercise Price	Balance at start of the year	Granted during the year	Exercised during the year	Expired during the year	Balance at end of the year	Exercisable at end of the year
			Number	Number	Number	Number	Number	Number
Consolidated and parent entity - 2008								
06 Sep 2002	06 Sep 2007	$0.13	250,000	-	-	(250,000)	-	-
13 Nov 2003	12 Nov 2008	$0.20	2,560,000	-	-	-	2,560,000	2,560,000
16 Nov 2004	12 Nov 2008	$0.20	1,587,500	-	(50,000)	-	1,537,500	1,537,500
03 Aug 2005	01 Dec 2008	$0.15	350,000	-	(50,000)	-	300,000	300,000
13 Oct 2005	01 Nov 2009	$0.20	1,612,500	-	(100,000)	-	1,512,500	1,512,500
14 Aug 2006	14 Aug 2011	$0.45	8,475,000	-	-	-	8,475,000	8,475,000
27 Nov 2007	29 Nov 2010	$0.28	-	5,200,000	-	-	5,200,000	-
		Total	14,835,000	5,200,000	(200,000)	(250,000)	19,585,000	14,385,000
Weighted average exercise price			$0.34	$0.28	$0.18	$0.13	$0.19	

NOTE 29 SHARE-BASED PAYMENTS (CONTINUED)

Options exercised during the financial year and number of shares issued to employees on the exercise of options.

Exercise date	Fair value of shares at issue date	2009 Number	2008 Number
14 Aug 2006	$0.336	-	-
13 Sep 2006	$0.321	-	-
14 Sep 2006	$0.331	-	-
03 Jan 2007	$0.340	-	-
18 Jan 2007	$0.310	-	-
01 Mar 2007	$0.300	-	-
04 May 2007	$0.335	-	-
09 Jul 2007	$0.290	-	50,000
10 Aug 2007	$0.275	-	150,000
		-	200,000

The fair value of shares issued on the exercise of options is the weighted average price at which the Company's shares were traded on the Australian Securities Exchange on the day prior to the exercise of the options.

	2009 $	2008 $
Aggregate proceeds received from employees on the exercise of options and recognised as issued capital	-	37,500
Fair value of shares issued to employees on the exercise of options as at their issue date	-	55,750

Fair values at grant date are determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the non-tradable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2008 included:

(a) options are granted for no consideration
(b) exercise price: $0.28 (2008: $0.28)
(c) grant date: 27 November 2007 (2008: 27 November 2007)
(d) expiry date: 29 November 2011 (2008: 29 November 2011)
(e) share price at grant date: $0.24 (2008: $0.24)
(f) expected price volatility of the Company's shares: 62% (2008: 62%)*
(g) expected dividend yield: 0% (2008: 0%)
(h) risk-free interest rate: 6.68% (2008: 6.68%)

*The assumption has been made that historical volatility of the underlying share price is the best indicator of future volatility but this may not necessarily be the outcome.

NOTE 29 SHARE-BASED PAYMENTS (CONTINUED)

(b) Alcyone Resources Ltd (Formerly Macmin Silver Ltd) Directors' Options

Terms and Conditions
Each option entitles the holder to subscribe for one fully paid ordinary share in the capital of the Company.

The options are exercisable on or before 5.00pm eastern standard time, 31 December 2007 ("expiry date"). Options may only be exercised in multiples of 50,000. Any options not exercised by the expiry date shall lapse.

The exercise price of each option will be 20 cents.

Exercise of the options is effected by delivery of a Notice of Exercise to the registered office of the Company together with payment of the exercise price of the options. Shares will be issued pursuant to the exercise of the options not more than 14 days after receipt by the Company from the optionholder of the Notice and the exercise price in respect of the options.

Options may not be exercised if the effect of such exercise and subsequent allotment of shares would be to create a holding of less than a marketable parcel of ordinary shares unless the allottee is already a shareholder of the Company at the time of exercise.

NOTE 29 SHARE-BASED PAYMENTS (CONTINUED)

Options are not transferable. Application will not be made to Australian Securities Exchange Limited ("ASX") for their Official Quotation.

All shares issued upon exercise of the options and payment of the exercise price will rank pari passu in all respects with the Company's then existing ordinary fully paid shares. The Company will apply for Official Quotation by ASX Limited of all shares issued upon exercise of the options.

There are no participating rights or entitlements inherent in the options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the books closing date will be at least 7 business days after the issue is announced. This will give optionholders the opportunity to exercise their options prior to the date for determining entitlements to participate in any such issue.

In the event of any reconstruction, including a consolidation, sub-division, reduction or return of the issued capital of the Company prior to the expiry date, the number of options to which each holder is entitled or the exercise price of the options or both will be reconstructed as appropriate in a manner which is in accordance with the Listing Rules and will not result in any benefits being conferred on optionholders which are not conferred on shareholders, subject to such provisions with respect to the rounding of entitlements as may be sanctioned by the meeting of shareholders approving the reconstruction of capital, but in all other respects the terms of exercise of the options will remain unchanged.

If a Director issued options under these Terms and Conditions ceases to be substantially involved with the Company the Directors at their discretion may cancel all or part of the holder's options obtained under this plan after giving the holder 60 days notice of their intention to do so.

The options can be issued to a Director or his nominee.

Set out below are summaries of options granted to directors.

Alcyone Resources Ltd (Formerly Macmin Silver Ltd) Directors' Options

Grant Date	Exercise Date	Exercise Price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
Consolidated and parent entity - 2009								
11 Nov 2005	31 Dec 2007	$0.20	-	-	-	-	-	-
		Total	-	-	-	-	-	-
Consolidated and parent entity - 2008								
11 Nov 2005	31 Dec 2007	$0.20	945,000	-	(257,500)	(687,500)	-	-
		Total	945,000	-	(257,500)	(687,500)	-	-

*Included 600,000 Directors' options exercised by a former Director.
Options granted to Directors as at 30 June 2007 were vested at that date. The Options expired on 31 December 2007.

NOTE 29 SHARE-BASED PAYMENTS (CONTINUED)

Options exercised during the financial year and number of shares issued to Directors on the exercise of options.

Exercise date	Fair value of shares at issue date	2009 Number	2008 Number
10 Aug 2007	$0.275	-	182,500
08 Nov 2007	$0.300	-	75,000
		-	257,500

*former director
The fair value of shares issued on the exercise of options is the weighted average price at which the Company's shares were traded on the Australian Securities Exchange on the day prior to the exercise of the options.

	2009 $	2008 $
Aggregate proceeds received from directors on the exercise of options and recognised as issued capital	-	51,500
Fair value of shares issued to directors on the exercise of options as at their issue date	-	72,688

(c) Alcyone Resources Ltd (Formerly Macmin Silver Ltd) - Cornell Options (Warrants)

Terms and Conditions

Alcyone Resources Ltd (Formerly Macmin Silver Ltd) ("the Company") grants Cornell Capital Partners Offshore, L.P. ("the Investor") the Warrants to take up Warrant Shares subject to the provisions of this clause.

The Company must keep a record of the Investor's right to Warrant Shares pursuant to this clause and amend its records promptly:

(i) upon notice by the Investor of any change in its name or address or other relevant information, to record that new information; and

(ii) to update its records following the exercise or lapse of its right to Warrant Shares.

The Investor may at any time subsequent to the Funding Date (Tranche 1) but prior to the Warrant Expiry Date exercise the Warrants in relation to any Unissued Shares by delivery to the Company of an Exercise Notice specifying:

(i) the number of Warrants which are being exercised; and

(ii) the proposed date for Completion of the issue of the Warrant Shares comprised in the Exercise Notice by the Company to the Investor (which is expected to be on the 5th Trading Day immediately following the date of the Exercise Notice).

A partial exercise of the Warrants by the Investor does not prevent the Investor from subsequently exercising any unexercised Warrants.

Refer also Note 26 'Events Occurring after Balance Sheet Date'.

NOTE 29 SHARE-BASED PAYMENTS (CONTINUED)

The price for each Warrant Share will be the Warrant Exercise Price. "Warrant Exercise Price" means A$0.48, per Warrant Share, save that if at any time while there are any Unissued Shares the Company issues Shares to any third party (i.e. other than the Investor or any person related to the Investor) at less than the then-current Warrant Exercise Price (other than an issue of Shares to employees under an employee share plan or an issue of Shares to a third party under a warrant or an option that exists as at the Funding Date (Tranche 1) or an issue of Shares that is an Excluded Issue), the Warrant Exercise Price will be reduced to the same price per Share at which the Company issued the Shares to the third party. "Excluded Issue" means an issue of Shares where, the number of Shares to be issued when added to the aggregate number of Shares issued by the Company subsequent to the date of this Agreement, is less than 5% of the number of Shares on issue as at the date of this Agreement;

The Company may satisfy its obligations in relation to an Exercise Notice by either (at its option):

(i) issuing Shares for the Exercise Notice to the Investor, in which case:

- the Company must Deliver and Complete the issue of Shares to the Investor on the proposed date for Completion specified in the Exercise Notice; and
- upon Delivery of the Shares, the Investor must deliver the Subscription Amount to the Company in cleared funds, provided that where the Company is in default under this Agreement, the Investor may at its option satisfy the obligation to pay the Subscription Amount to the Company in cleared funds by instead reducing the Outstanding Moneys by the Subscription Amount; and

(ii) both:

- notifying the Investor on the Trading Day immediately following the date of the Exercise Notice that it intends to satisfy its obligations in relation to an Exercise Notice in cash; and
- paying the Investor in cash on or before the proposed date for Completion specified in the Exercise Notice an amount determined by multiplying the number of Shares by (the VWAP of the Shares on the Trading Day prior to the proposed date for Completion specified in the Exercise Notice less the Warrant Exercise Price), in US$ (based on the then-current Exchange Rate), in which case the Investor need not pay the Company the Warrant Exercise Price for each Warrant Share the subject of the Exercise Notice.

In respect of any proposal for new rights to be issued by the Company to existing shareholders in relation to the same class of shares as any Unissued Shares:

(i) The Company must provide to the Investor full details of any proposed new rights issue at the same time as the Company notifies existing shareholders of the new rights proposal.

(ii) New rights to be issued to existing shareholders attach upon issue to Unissued Shares in compliance with this provision, except where the Investor notifies the Company that the Investor declines to accept the new rights within 14 days following receipt of actual notice of the proposal by the Investor from the Company.

NOTE 29 SHARE-BASED PAYMENTS (CONTINUED)

(iii) New rights attach upon issue to Unissued Shares in the same proportion and to the same extent, and calculated at the same date, as for shares held by existing shareholders as if the Unissued Shares had been issued to, and registered in the register of members in the name of, the Investor by the Company at that date.

(iv) The Company must issue new rights attaching to the Unissued Shares to the Investor upon Completion in relation to those Unissued Shares.

(v) The Company must in relation to any proposed new rights by way of issue of bonus shares for no additional consideration, whether by way of capitalisation of reserves or undistributed profits or otherwise:

- include Unissued Shares in any calculation of the rights of existing shareholders to participate in that issue; and
- credit any necessary reserve account with an amount sufficient to cover the issue of bonus shares in relation to Unissued Shares.

(vi) The Subscription Amount payable by the Investor to the Company for any Unissued Shares, upon Completion in relation to those Unissued Shares, must be increased to include the full amount payable by any existing shareholder at that time for any new rights by way of a rights issue for cash or other consideration in relation to the new rights equivalent to those attaching to the Unissued Shares.

In respect of any Unissued Shares existing at the effective date of a Share Reorganisation:

(i) the number of Unissued Shares must, as applicable, be increased or reduced to the number of replacement shares created by the Share Reorganisation.

(ii) appropriate adjustment to reflect the replacement number of Unissued Shares following conversion must be made, as applicable, by way of increase or reduction in:

- the Warrant Exercise Price; and
- the number of Unissued Shares comprised in any partial exercise of the Warrants.

(d) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense or capitalised as development expenditure, were as follows:

	CONSOLIDATED		PARENT ENTITY	
	2009	2008	2009	2008
	$	$	$	$
Options issued under employee option plan	-	275,600	-	169,600
Options issued as part of Convertible Loan Note issue	-	257,000	-	257,000
	-	532,600	-	426,600

NOTE 29 SHARE-BASED PAYMENTS (CONTINUED)

NOTE 30 SEGMENT INFORMATION

Primary reporting – geographical segments, based on location of assets.

		Geographical Segments			
		Australia $	**Canada $**	**Papua New Guinea $**	**Consolidated $**
Operating revenue	2009	6,633,009	-	-	6,633,009
	2008	2,980,930	-	-	2,980,930
Segment results	2009	(31,111,861)	(6,817,210)	-	(37,929,071)
	2008	(9,741,240)	-	(61,482)	(9,802,722)
Segment assets	2009	7,187,035	1,627,215	-	8,814,250
	2008	40,852,821	8,444,425	-	49,297,246
Segment liabilities	2009	17,491,060	-	-	17,491,060
	2008	15,575,421	-	-	15,575,421
Segment depreciation	2009	276,116	-	-	276,116
	2008	911,346	-	-	911,346
Segment write down of exploration & development assets	2009	15,711,777	-	-	15,711,777
	2008	1,020,224	-	-	1,020,224
Segment investment in associates	2009	-	-	-	-
	2008	-	-	-	-
Segment equity accounting proceeds (share of net loss of associate)	2009	-	-	-	-
	2008	-	-	(61,482)	(61,482)

The consolidated entity operates predominantly in the mining industry. This comprises exploration, evaluation and development of gold, silver and base metals projects. Inter-segment transactions are priced at cost to the consolidated entity.

NOTE 31 AUDITORS' REMUNERATION	CONSOLIDATED		PARENT ENTITY	
	2009 $	2008 $	2009 $	2008 $
During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms.				
Assurance services				
1. Audit Services				
BDO Kendalls Australian firm:	26,142	33,119	26,142	33,119
PricewaterhouseCoopers Australian firm:	-	1,093	-	1,093
Total remuneration for audit services	26,142	34,212	26,142	34,212
Taxation Services				
BDO Kendalls Australian firm:	5,700	29,847	5,700	29,847
PricewaterhouseCoopers Australian firm:	30,175	-	30,175	-
Total remuneration for taxation services	35,875	29,847	35,875	29,847

NOTE 32 EARNINGS PER SHARE	2009 $	2008 $
Basic and diluted earnings (losses) per share (cents per share)	(7.50c)	(2.10c)
The loss used in calculating basic earnings per share is the net loss for the year.	(37,929,071)	(9,802,722)
Weighted average number of shares used in the calculation of the basic EPS	505,692,466	468,974,401
The number of potential ordinary shares relating to options not exercised at year end. These potential ordinary shares are not dilutive, as conversion would decrease the loss per share. (Note 23c)	33,544,003	112,698,836

NOTE 33 CONTINGENCIES

Contingent Liabilities

Termination benefits are payable in certain circumstances under the employment agreements with some key management personnel. Under these agreements, a sum equal to six months salary is payable at the date of such termination.

NOTE 34 RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	PARENT ENTITY 2009 $	PARENT ENTITY 2008 $
(a) Reconciliation of the operating loss after income tax to the net cash flow from operations:				
Operating loss after income tax	(37,929,071)	(9,802,722)	(42,200,013)	(17,400,565)
Adjustment for non cash items:				
- Less result Twin Hill Mines (relates to investing activities)	5,410,594	-	-	-
- Inter-company administration fee	-	-	-	(348,579)
- Provision for mine rehabilitation costs written off	-	699,441	-	-
- Loss/(gain) on disposal of fixed assets	(225,308)	11,088	(83,227)	11,088
- Depreciation and amortisation expense	276,116	2,446,891	11,959	133,540
- Loss/(gain) on disposal of investments (relates to investing activities)	(1,779,153)	(57,906)	(1,779,153)	(57,906)
- Non-cash benefits expense – share based payments	-	532,600	-	426,600
- Unearned income	-	-	-	-
- Loss attributable to equity accounting of investment	-	61,482	-	-
- Net foreign exchange differences	(639,399)	(493,890)	(639,399)	(493,890)
- Provision for impairment of subsidiary loan	-	-	31,137,834	18,000,000
- Impairment plant and equipment	6,352,581	-	10,283	-
- Exploration expenditure written off	6,783,215	1,020,224	937,267	732,697
- Development expenditure written off	8,928,562	-	-	-
- Impairment of investments	-	-	1,843,644	-
- Recognition of creditor claims	6,069,282	-	6,284,650	-
Change in operating assets and liabilities:	-	-	-	-
- Work in progress and Inventories	5,299,437	(3,927,769)	-	-
- Accounts payable and provisions	817,061	800,975	2,171,932	16,499
- Amounts receivable	-	(162,390)	-	(92,213)
- Prepayments	(66,405)	(294,660)	(139,423)	(294,660)
- Deferred taxes	-	(1,950,372)	-	(1,950,372)
Net Cash inflow / (outflow) from operating activities	(702,488)	(11,117,008)	(2,443,646)	(1,317,761)

NOTE 35 INVESTMENT IN ASSOCIATE

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the parent entity (refer note 13). Information relating to the former associate is set out below.

	Principal activity	Ownership Interest		Consolidated Carrying Amount		Parent Entity Carrying Amount	
		2009	2008	2009	2008	2009	2008
Traded		%	%	$	$	$	$
New Guinea Gold Corporation (incorporated in Canada)	Mining operations and mineral exploration	-	11	-	-	-	-

Movements in Carrying Amounts of Investments in Associates		
Carrying amount at the beginning of the financial year	-	357,362
Purchase of additional shares	-	-
Share of operating profits/(losses) after income tax	-	(61,482)
Share of post-acquisition reserves	-	-
Transfer to Available for sale financial assets	-	(295,880)
Dividends received/receivable	-	-
Carrying amount at the end of the financial year	-	-
Results Attributable to Associates		
Operating profits/(losses) before income tax	-	(61,482)
Income tax expense	-	-
Operating profits/(losses) after income tax	-	(61,482)
Accumulated losses at the beginning of the financial year	-	(1,245,169)
Accumulated losses at the end of the financial year	-	(1,306,651)
Reserves Attributable to Associates		
Other reserve		
Balance at beginning of the financial year	-	642,626
Share of post-acquisition reserves	-	-
Transfer to Available-for-sale investments revaluation reserve	-	(642,626)
Balance at the end of the financial year	-	-

NOTE 36 SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described in note 1(b):

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding 2009 %	Equity Holding 2008 %
Texas Silver Mines Pty Ltd	Australia	Ordinary	100	100

NOTE 37 NON-CASH FINANCING AND INVESTING ACTIVITIES

Convertible Note repayment by issue of 14,830,682 shares to the value of $1,001,745 as shown in note 23 (2008: Convertible Note repayment by issue of 2,647,375 shares to the value of $321,251, Acquisition of Tally Ho exploration tenements by issue of 937,500 shares to the value of $300,000).

The shares issued for repayment of the convertible notes were valued using a 3% discount to the Volume Weighted Average Price in the pre-determined period prior to the issue of the shares.

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 26 to 86 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of its performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial period ended on that date; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(c) the audited remuneration disclosures set out on pages 18 to 22 of the directors' report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the directors.

Andrew King
Managing Director

30th October 2009

BDO Kendalls

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ALCYONE RESOURCES LIMITED (FORMERLY MACMIN SILVER LTD)

Report on the Financial Report

We have audited the accompanying financial report of Alcyone Resources Limited (formerly Macmin Silver Ltd), which comprises the balance sheet as at 30 June 2009, and the income statement, the statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

BDO Kendalls

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ALCYONE RESOURCES LIMITED (FORMERLY MACMIN SILVER LTD) (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

Qualification

On 3 November 2008, the parent company and its controlled entity were placed in voluntary administration by the then board of directors. As a result of the company and group being in administration, certain audit procedures could not be conducted which has limited the scope of our work in relation to verification and classification of income and expense amounts recorded in the income statement, the related amounts in Notes 4, 5 and 34 of the financial statements and the classification of items between operating and investing activities in the cash flow statement. Whilst detailed income and expense disclosures have not been verified, we do not qualify our opinion on the total result for the period.

Qualified Auditor's Opinion

In our opinion, except for the effect, if any, of the matters referred to in the qualification paragraph, the financial report of Alcyone Resources Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

(b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001.*

(c) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

BDO Kendalls

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ALCYONE RESOURCES LIMITED (FORMERLY MACMIN SILVER LTD) (continued)

Emphasis of Matter Recoverable Amount of Mineral Development Expenditure and Going Concern

Without qualification to the audit opinion expressed above, attention is drawn to the matters detailed in Notes 3(vi) and Note 17.

As detailed in Note 3(vi), the Company and its subsidiary at 30 June 2009 were in Administration and subject to a Deed of Company Arrangement (DOCA). The financial report records that the Group has incurred losses of $37,929,071 for the year ended 30 June 2009 (2008: $9,802,722), and had a working capital deficiency of $12,308,556 and a net asset deficiency of $8,678,810 at 30 June 2009. Settlement of the DOCA occurred on 13th October 2009 following completion of a $4 million capital raising made pursuant to a prospectus dated 23 September 2009, and the Company was released from Administration. All creditors are bound by the Varied Deed of Company Arrangement and all claims against the Company have been released as of 13 October 2009 and there are no residual liabilities or potential recovery from former creditors against the company as of this date.

The continued adoption of the going concern assumption depends upon the return, in the future, to profitable mining operations and the funding of capital requirements until this is achieved.

As detailed in Note 17, the ultimate recoupment of costs carried forward for mineral development expenditure is dependent upon the successful development and commercial exploitation or sale of the respective areas of interest.

No adjustments have been made to the carrying value of mineral development assets should the commercial exploitation of the areas of interest not be successful. In addition, no adjustments have been made to the carrying value of assets or the recorded amounts of liabilities should the company and group not continue as a going concern.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 18 to 22 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Kendalls

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ALCYONE RESOURCES LIMITED (FORMERLY MACMIN SILVER LTD) (continued)

Auditor's Opinion

In our opinion, the Remuneration Report of Alcyone Resources Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001.*

BDO Kendalls (QLD)

BDO Kendalls

C J Skelton
Partner

Brisbane
Dated 30 October 2009

Project	Tenement No	Area	Holder	Ownership %
Tally Ho	ML 4727	1.92 Ha	Alcyone Resources Ltd	100%
Tally Ho	ML 4770	5.26 Ha	Alcyone Resources Ltd	100%
Tally Ho	EPM 15168	76.8 Km^2	Alcyone Resources Ltd	100%
Tally Ho	EPM 15775	73.6 Km^2	Alcyone Resources Ltd	100%
Tally Ho	MDL 272	52.8 Ha	Alcyone Resources Ltd	100%
Mt Scott	EPM 15854	227.2 Km^2	Alcyone Resources Ltd	100%
Rivertree	EL 5714	35.1 Km^2	Malachite Resources Ltd	75%
Twin Hills	ML 50161	399.77 Ha	Texas Silver Mines Pty Ltd	100%
Silver Spur	ML 5932	18.21 Ha	Texas Silver Mines Pty Ltd	100%
Mt Gunyan	EPM 8854	54.4 Km^2	Texas Silver Mines Pty Ltd	100%
Texas	EPM 11455	105.6 Km^2	Texas Silver Mines Pty Ltd	100%
Texas	EPM 12858	108.8 Km^2	Texas Silver Mines Pty Ltd	100%
Texas	EPM 14092	6.4 Km^2	Texas Silver Mines Pty Ltd	100%

Texas Silver Mines Pty Ltd is a fully owned subsidiary of Alcyone Resources Ltd
Area reported in Km^2 is converted (as required) from sub-blocks (3.2Km^2) or Units (2.7Km^2)

ASX ADDITIONAL INFORMATION

Information required by Australian Securities Exchange Limited and not shown elsewhere in this report is as follows:-

STATEMENT OF QUOTED SECURITIES AS AT 13 OCTOBER 2009

a) Distribution of Shareholders

Size of Holding	Number of Shareholders	Number of Option holders
1 – 1,000	1,670	230
1,001 – 5,000	1,302	63
5,001 – 10,000	282	6
10,001 – 100,000	248	5
100,001 and over	278	1
	3,780	305

b) Number of holders of less than marketable parcels		
c) Percentage holding of 20 largest holders	48.85	72.64

d) Substantial Shareholder notices have been received from the following shareholders as at the date of this report;

Andrew King 5.83%

Richard Harris 5.83%

e) Twenty largest shareholders/optionholders (as at 13 October 2009).

Shareholder			Optionholder (expiry date 30 October 2009)		
Name	Quantity	% of Total Holding	Name	Quantity	% of Total Holding
Deck Chair Holdings Ltd	50,350,000	8.38	ANZ Nominees Limited	206,921	30.98
Mahsor Holdings Ltd	40,750,000	6.78	HSBC Custody Nominees (Australia) Limited	98,385	14.73
Mr Andrew and Mrs Lynette King	35,000,000	5.83	Bynoe Harbour Pearl Co Pty Ltd	57,143	8.56
Golden Matrix Holdings Pty Ltd	25,000,000	4.16	McNeil Associates Pty Ltd	20,000	2.99
Macmin Corporation Pty Ltd	25,000,000	4.16	Ms Tamatha Claire Delmastro	12,000	1.80
Spring Plains Pastoral Co (VIC) Pty Ltd	15,500,000	2.58	Monabel Pty Ltd	11,250	1.68
ANZ Nominees Pty Ltd	11,075,516	1.84	Mr Errol and Mrs Aubrey Cotton-Stapleton	10,000	1.50
Seivad Investments Pty Ltd	10,500,000	1.75	PYC Investments Pty Ltd	8,334	1.25
Fullerton Private Capital Pty Ltd	10,000,000	1.66	Hollis Properties Pty Ltd	6,667	1.00
BBC Superannuation Pty Ltd	10,000,000	1.66	Mrs Rosemary Joy McNeil	6,500	0.97
Mr Richard Milne Harris	10,000,000	1.66	Mr Peter and Mrs Karen Benson	6,250	0.94

ASX ADDITIONAL INFORMATION (CONTINUED)

Shareholder				Optionholder (expiry date 30 September 2011)		
Name	**Quantity**	**% of Total Holding**		**Name**	**Quantity**	**% of Total Holding**
Kea Holdings Pty Ltd	7,500,000	1.25		Mr Keith and Mrs Yvonne Arnott	6,000	0.90
Kobia Holdings Pty Ltd	7,000,000	1.17		Mr Colin Walter Black	5,000	0.75
Manhattan Investments Pty Ltd	6,000,000	1.00		Mr Robert Donald McNeil	5,000	0.75
Mr Eric De Morii	5,000,000	0.83		James and Patricia Connor	5,000	0.75
First Stop Money Pty Ltd	5,000,000	0.83		Yeung Holdings Pty Ltd	4,500	0.67
Ms Jillian Harris	**5,000,000**	0.83		Mr Rex Woodhouse Saunders	4,338	0.65
Mr Robert Galbraith	**5,000,000**	0.83		Mr Henry Frank Weiss	4,000	0.60
Ms Jillian Harris	**5,000,000**	0.83		Mr John and Mrs Marie Guymer	4,000	0.60
Mr Anthony Nathan Rosham	4,700,000	0.78		Mr Wesley and Mrs Suzanne Trevor	3,851	0.58
	293,375,516	**48,85**			**485,139**	**72.64**

f) Voting Rights

Registered holders of ordinary shares in the capital of the Company may attend and vote at general meetings of the Company in person or by proxy and may exercise one vote for each share held. Every person present at a general meeting as an ordinary shareholder shall have one vote on a show of hands.

STATEMENT OF UNQUOTED SECURITIES (OPTIONS) AS AT 13 OCTOBER 2009

There are on issue the following unquoted securities:-	**Quantity**
Exercisable at $0.01 per share on or before 30 September 2012	150,000,000
Exercisable at $9.60 per share on or before 09 November 2012	250,000
Non transferable options issued under the Macmin Employee Incentive Option Plan:	
Exercisable at $1.60 per share on or before 30 September 2011	75,625
Exercisable at $5.60 per share on or before 29 November 2010	260,000
Exercisable at $9.00 per share on or before 14 August 2011	423,750