



ABN 53 056 776 160
Level 1, 50 Kings Park Road, West Perth WA 6005
PO Box 928, West Perth WA 6872
T: +61 (0)8 9322 3000
F: +61 (0)8 9322 8912
www.alcyone.com.au

10 December 2010

Company Announcements Office
Australian Securities Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

NON-RENOUNCEABLE ENTITLEMENT ISSUE AND APPENDIX 3B

On 25 November 2010, the Company announced an opportunity for the holders of shares in the Company (**Shareholders**) to participate in a non-renounceable pro-rata Entitlement Issue.

Pursuant to the Entitlement Issue, the Company will issue up to 158,011,081 new fully paid ordinary shares at 3.5 cents per share to raise up to \$5,530,388 (before costs). The new shares will be offered on the basis of 1 new share for every 5 shares held in the capital of the Company at the record date (**Entitlement**).

The new shares will be fully paid and will rank equally with the Company's existing issued shares. The Company will make an application to the Australian Securities Exchange Limited (ASX) for official quotation of the new shares.

Fully Underwritten

The Offer is fully underwritten by Cygnet Capital Pty Limited (ACN 103 488 606) AFSL (**Underwriter**). Entitlements as a result of additional Shares issued due to the exercise of Options prior to the Record Date will be underwritten. The underwriting is subject to standard terms and conditions and further details are set out in the Prospectus.

The Company has agreed to pay the Underwriter an underwriting fee of 6% (excluding GST) of the value of the amount underwritten, as well as reimbursement of expenses.

Key Dates

With respect to the Entitlement Issue, the Company will accept applications until 5.00pm WST on Friday, 14 January 2011 or any other date the Directors in their absolute discretion determine, subject to the requirements of the Corporations Act, the ASX Listing Rules and other applicable law. An indicative timetable for the Entitlement Issue is as follows:

Lodgement of Prospectus with ASIC	10 December 2010
Notice sent to Optionholders	10 December 2010
Notice sent to Shareholders	14 December 2010
Ex Date	15 December 2010
Record Date for determining Entitlements	5pm (WST) on 21 December 2010
Prospectus dispatched to Shareholders	23 December 2010
Closing date	5pm (WST) on 14 January 2011
Securities quoted on a deferred settlement basis	17 January 2011
Notify ASX and Underwriter of under-subscriptions	19 January 2011

Dispatch date/Shares entered into Shareholders' security holdings	24 January 2011
Date of quotation of Shares issued under the Offer*	25 January 2010
Underwriter lodges applications for Shortfall Shares	25 January 2011
Date of quotation of Shortfall Shares*	31 January 2011

** The Directors may extend the closing date by giving at least 6 Business Days notice to ASX prior to the Closing Date. As such, the date the shares are expected to commence trading on ASX may vary.*

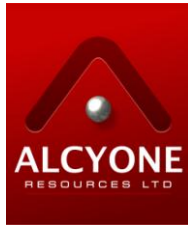
A Prospectus and an Appendix 3B with respect to the Entitlement Issue follows together with a letter to Option Holders.

Yours sincerely

ALCYONE RESOURCES LIMITED

Kevin Hart

Company Secretary



ALCYONE RESOURCES LIMITED

ACN 056 776 160

ENTITLEMENT ISSUE PROSPECTUS

For a pro rata non-renounceable entitlement issue of one (1) Share for every five (5) Shares held by Shareholders at the Record Date at an issue price of \$0.035 per Share to raise approximately \$5,530,388 (**Entitlement Issue**).

The Entitlement Issue is fully underwritten by Cygnet Capital Pty Limited. Refer to Section 8.2 of this Prospectus for details regarding the terms of the Underwriting Agreement.

This offer closes at 5.00pm WST on 14 January 2011 unless extended. Valid acceptances must be received before that date.

IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the Securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Securities offered by this Prospectus should be considered as speculative.

TABLE OF CONTENTS

1.	SUMMARY OF IMPORTANT DATES AND IMPORTANT NOTES	2
2.	CORPORATE DIRECTORY.....	4
3.	CHAIRMAN'S LETTER.....	1
4.	DETAILS OF THE OFFER.....	1
5.	PURPOSE AND EFFECT OF THE OFFER.....	6
6.	RIGHTS AND LIABILITIES ATTACHING TO THE SHARES.....	9
7.	RISK FACTORS	11
8.	ADDITIONAL INFORMATION	17
9.	DIRECTORS' CONSENT	28
10.	DEFINITIONS	29

1. SUMMARY OF IMPORTANT DATES AND IMPORTANT NOTES

Timetable and important dates*

Lodgement of Prospectus with ASIC	10 December 2010
Notice sent to Optionholders	10 December 2010
Notice sent to Shareholders	14 December 2010
Ex Date	15 December 2010
Record Date for determining Entitlements	5pm (WST) 21 December 2010
Prospectus dispatched to Shareholders	23 December 2010
Closing Date	5.00pm (WST) on 14 January 2011
Securities quoted on a deferred settlement basis	17 January 2011
Notify ASX and Underwriter of under-subscriptions	19 January 2011
Dispatch date/Shares entered into Shareholders' security holdings	24 January 2011
Date of quotation of Shares issued under the Offer*	25 January 2011
Underwriter lodges applications for Shortfall Shares	25 January 2011
Date of quotation of Shortfall Shares*	31 January 2011

* The Directors may extend the Closing Date by giving at least 6 Business Days notice to ASX prior to the Closing Date. As such the date the Shares are expected to commence trading on ASX may vary.

IMPORTANT NOTES

Shareholders should read this document in its entirety and, if in doubt, should consult their professional advisers.

This Prospectus is dated 10 December 2010 and a copy of this Prospectus was lodged with the ASIC on that date. The ASIC and ASX take no responsibility for the content of this Prospectus.

The expiry date of the Prospectus is 10 January 2012 (**Expiry Date**). No Shares will be allotted or issued on the basis of this Prospectus after the Expiry Date.

Applications for Shares offered pursuant to this Prospectus can only be submitted on an original Entitlement and Acceptance Form which accompanies this Prospectus.

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of Shares these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offer is not being extended and Shares will not be issued to Shareholders with a registered address which is outside Australia or New Zealand.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with

these restrictions may violate securities laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

RISK FACTORS

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus. For further information in relation to the risk factors of the Company please refer to Section 7 of this Prospectus.

ELECTRONIC PROSPECTUS

Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Entitlement and Acceptance Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company.

2. CORPORATE DIRECTORY

Directors

Mr Charles Morgan
Non-Executive Chairman

Mr Andrew King
Managing Director

Mr Eric de Mori
Non-Executive Director

Company Secretary

Mr Kevin Hart

Registered Office

Level 1
46-50 Kings Park Road
WEST PERTH WA 6005

Telephone: +61 8 9322 3000
Facsimile: +61 8 9322 8912

Underwriter

Cygnit Capital Pty Ltd
Ground Floor
30 Richardson Street
WEST PERTH WA 6005

Telephone: +61 8 9226 5511
Facsimile: +61 8 9322 8744

Website

www.alcyone.com.au

Solicitors

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000

Auditors*

BDO Audit (WA) Pty Ltd
38 Station Street
SUBIACO WA 6008

Telephone: +61 8 6382 4600
Facsimile: + 61 8 6382 4601

ASX Code

AYN

Share Registry*

Computershare Investor Services Pty
Ltd
Level 2
45 St Georges Terrace
PERTH WA 6000

Telephone: +61 8 9323 2003
Facsimile: +61 8 9323 2033

General Enquiries

Telephone: +61 8 9322 3000

*These parties have been included for information purposes only. They have not been involved in the preparation of this Prospectus.

3. CHAIRMAN'S LETTER

Dear Shareholder

The Board is pleased to offer Shareholders the opportunity to participate in a one for five non-renounceable entitlement issue of Shares.

All Shareholders registered as at 5.00 pm (WST) on 21 December 2010 will be entitled to participate in the pro-rata non-renounceable entitlement issue of Shares on the basis of one (1) Share for every five (5) Shares then held (**Offer**) at an issue price of 3.5 cents per share. The closing date for acceptances is 5.00 pm (WST) on 14 January 2011.

Cygnit Capital Pty Ltd is fully underwriting the Offer, and in turn I have agreed to sub-underwrite \$2 million of the Offer.

The Company intends to use the funds raised under this Prospectus to:

- order key long-lead items required to upgrade the processing facility and support the resumption of commercial silver production at the Twin Hills Silver Project, part of the Company's 100%-owned Texas Silver and Polymetallic Project in south-east Queensland;
- fast track parts of the expanded Merrill Crowe Circuit to assist with silver recovery from the previously announced program of trial re-irrigation of the existing silver-rich heaps;
- commencement of other pre-development and infrastructure activities required to resume commercial operations, including detailed design and preliminary civil works;
- complete the re-estimation and upgrade of the Mineral Resource for the Twin Hills and Mt Gunyan deposits following the successful drilling campaign undertaken during 2010;
- fund further drilling and geophysics exploration activities at priority regional exploration targets such as Hornet, where the Company has reported high-grade copper intersections and Silver Spur, which is emerging as an exciting base metals opportunity; and
- provide general working capital.

On 9 December 2010 the Company announced that it had entered into a mandate with Southern Cross Equities Limited to raise approximately \$10 million on a best endeavours basis by way of a placement of approximately 285.7 million ordinary fully paid shares at 3.5 cents per share. Proceeds from this placement will be used to fund the remaining capital requirements required for full scale commercial production at the Twin Hills Project and general working capital.

The Board recommends all Shareholders take up their Entitlement and advises that all Directors intend to take up part of their respective Entitlement. The Board takes this opportunity to thank all Shareholders for their support and looks forward to your continued support in the future.

Yours faithfully

CHARLES MORGAN
CHAIRMAN

4. DETAILS OF THE OFFER

4.1 Offer

By this Prospectus, the Company offers for subscription approximately 158,011,081 new Shares pursuant to a pro-rata non-renounceable entitlement issue to Shareholders of one (1) new Share for every five (5) Shares held on the Record Date at an issue price of \$0.035 per Share. Fractional entitlements will be rounded up to the nearest whole number.

Based on the capital structure of the Company (and assuming no existing Options are exercised prior to the Record Date), the maximum number of Shares to be issued pursuant to the Offer is approximately 158,011,081 Shares. The Offer will raise approximately \$5,530,000 before costs of the Offer. The purpose of the Offer and the use of funds raised are set out in Section 5 of this Prospectus.

Holders of existing Options will not be entitled to participate in the Offer. The Company currently has 119,841,652 Options on issue as at the date of this Prospectus, which Options may be exercised by the Option holder prior to the Record Date in order to participate in the Offer.

Entitlements as a result of additional Shares issued due to the exercise of Options prior to the Record Date will be underwritten. The participants in the Placement have agreed that the Shares are being issued "ex" entitlement and will therefore not be entitled to participate in the Offer.

All of the Shares offered under this Prospectus will rank equally with the Shares on issue at the date of this Prospectus. Please refer to Section 6 for further information regarding the rights and liabilities attaching to the Shares.

4.2 How to accept the Offer

Your acceptance of the Offer must be made on the Entitlement and Acceptance Form accompanying this Prospectus. Your acceptance must not exceed your Entitlement as shown on that form. If it does, your acceptance will be deemed to be for the maximum Entitlement.

You may participate in the Offer as follows:

- (a) if you wish to accept your Entitlement **in full**:
 - (i) complete the Entitlement and Acceptance Form, filling in the details in the spaces provided; and
 - (ii) attach your cheque for the amount indicated on that relevant Entitlement and Acceptance Form or pay via Bpay by following the instructions set out on the Entitlement and Acceptance Form (Applicants should ensure they include their reference number if paying by BPay); or
- (b) if you only wish to accept **part** of your Entitlement:
 - (i) fill in the number of Securities you wish to accept in the space provided on the Entitlement and Acceptance Form; and
 - (ii) attach your cheque for the appropriate application monies (at \$0.035 per Share) or pay via Bpay by following the instructions set out on the Entitlement and Acceptance Form

(Applicants should ensure they include their reference number if paying by BPay); or

- (c) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to "**Alcyone Resources Limited**" and crossed "Not Negotiable".

Your completed Entitlement and Acceptance Form and cheque (or BPay payment) must reach the Company's share registry at the address set out on the Entitlement and Acceptance Form by no later than 5:00pm WST on the Closing Date.

The Offer is non-renounceable. Accordingly, a Shareholder may not sell or transfer all or part of their Entitlement.

4.3 Minimum subscription

The minimum subscription in respect of the Offer is the number of Share offered under the Offer, being approximately \$5,530,388.

4.4 Underwriting

The Offer is fully underwritten by Cygnet Capital Pty Limited.

The Underwriting Agreement is subject to standard terms and conditions. Pursuant to the Underwriting Agreement, the Company has agreed to pay the Underwriter an underwriting fee of 6% (excluding GST) of the value of the Underwritten Amount, as well as reimbursement of expenses.

Refer to Section 8.2 of this Prospectus for further details of the terms of the underwriting.

4.5 Shortfall Offer

Any Entitlement not taken up pursuant to the Offer will form the Shortfall and will be dealt with in accordance with the Underwriting Agreement. Accordingly, Shareholders should not apply for the Shortfall unless directed to do so by the Underwriter.

The Directors reserve the right to place the Shortfall Offer, in conjunction with the Underwriter, in their absolute discretion, in accordance with the terms of the Underwriting Agreement.

The offer of any Shortfall Shares is a separate offer made pursuant to this Prospectus and will remain open after the Closing Date for a period determined by the Company and the Underwriter in accordance with the terms of the Underwriting Agreement. The issue price of any Shortfall Shares shall be \$0.035 being the price and terms at which the Entitlement has been offered to Shareholders pursuant to this Prospectus.

If you are invited to participate in a Shortfall Offer, please forward the completed Shortfall Application Form and your cheque for the appropriate application monies (\$0.035 per Share) by such date as directed by the Company or the Underwriter (as the case may be) to the address set out on the Shortfall Application Form.

4.6 ASX listing

Application for official quotation by ASX of the Shares offered pursuant to this Prospectus will be made within 7 days after the date of this Prospectus. If approval is not obtained from ASX before the expiration of 3 months after the date of issue of the Prospectus, (or such period as modified by the ASIC), the Company will not issue any Shares and will repay all application monies for the Securities within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant official quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Securities now offered for subscription.

4.7 Allotment of Shares

Shares issued pursuant to the Offer will be allotted as soon as practicable after the Closing Date and in accordance with the ASX Listing Rules and timetable set out in Section 1 of this Prospectus. The Company will allot the Shares on the basis of a Shareholder's Entitlement. Where the number of Shares issued is less than the number applied for, or where no allotment is made, surplus application monies will be refunded without any interest to the applicant as soon as practicable after the Closing Date.

Pending the allotment and issue of the Shares or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

4.8 Overseas Shareholders

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of Securities these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offer is not being extended and Securities will not be issued to Shareholders with a registered address which is outside Australia or New Zealand.

Shareholders resident in New Zealand should consult their professional advisers as to whether any government or other consents are required, or other formalities need to be observed, to enable them to exercise their Entitlements under the Offer.

4.9 Southern Cross Equities Limited Mandate

On 9 December 2010, the Company announced that it had entered into a engagement agreement (**Mandate**) with Southern Cross Equities Limited (**Southern Cross**) to act as lead manager for a placement to raise up to \$10 million by the issue of 285,714,286 Shares at an issue price of 3.5 cents per share to professional and sophisticated investors (**Placement**). Southern Cross must undertake the placement on a "best endeavours basis".

The Placement will be conducted in two tranches. Tranche 1 will comprise approximately 118 million Shares undertaken under the Company's 15% placing authority under ASX Listing Rule 7.1. Tranche 2, of approximately 167 million Shares, will be subject to Shareholder approval at a meeting to be convened in January 2011.

Further details of the mandate of Southern Cross are set out in Section 8.5 of this Prospectus. This Prospectus assumes that Shareholders approve the issue of Shares under Tranche 2 of the Placement and the Placement is fully subscribed.

4.10 Offer in New Zealand

The Offer to New Zealand investors are regulated offers made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and the Corporations Regulations 2001. In New Zealand, this is Part 5 of the *Securities Act 1978* and the *Securities (Mutual Recognition of Securities Offerings – Australia) Regulations 2008*.

The Offer and the content of the Prospectus are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act sets out how the Offer must be made.

There are differences in how securities are regulated under Australian law.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand securities.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to the Offer. If you need to make a complaint about the Offer, please contact the Securities Commission, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offer may involve a currency exchange risk. The currency for the Shares is not New Zealand dollars. The value of the Shares will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant. If you expect the Shares to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

As noted in the Prospectus at Section 4.6, the Company will apply to the ASX for quotation of the Shares offered under this Prospectus. If quotation is granted, the Shares offered under this Prospectus will be able to be traded on the ASX. If you wish to trade the Shares through that market, you will have to make arrangements for a participant in that market to sell the Shares on your behalf. As the ASX does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the securities and trading may differ from securities markets that operate in New Zealand.

4.11 Taxation implications

The Directors do not consider that it is appropriate to give Applicants advice regarding the taxation consequences of applying for Securities under this Prospectus, as it is not possible to provide a comprehensive summary of the possible taxation consequences. The Company, its advisers and officers, do not accept any responsibility or liability for any taxation consequences to Applicants. Potential Applicants should, therefore, consult their own professional tax adviser in connection with the taxation implications of the Securities offered pursuant to this Prospectus.

4.12 Clearing House Electronic Sub-Register System (CHESS) and Issuer Sponsorship

The Company will not be issuing share certificates. The Company is a participant in CHESS, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Shares allotted to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

4.13 Privacy

If you complete an application for Shares, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the *Corporations Act* and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

4.14 Enquiries

Any questions concerning the Offer should be directed to Kevin Hart, Company Secretary on +61 8 9316 9100.

5. PURPOSE AND EFFECT OF THE OFFER

5.1 Purpose of the Offer

The purpose of the Offer is to raise approximately \$5,530,388 (before expenses). The proceeds of the Offer are planned to be used in accordance with the table set out below:

Proceeds of the Offer	\$
Commencement pre-development and infra-structure activities	1,500,000
Capital expenditure associated with ordering long lead time items	3,000,000
Exploration and mineral resource re-estimation	665,000
Expenses of the Offer	365,000
Total	5,530,000

Notes:

¹ Refer to Section 8.10 of this Prospectus for further details relating to the estimated expenses of the Offer.

The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events and new circumstances have the potential to affect the ultimate way funds will be applied. The Board reserves the right to alter the way funds are applied on this basis.

5.2 Effect of the Offer

The principal effect of the Offer, assuming all Shares offered under the Placement are issued and no Options are exercised prior to the Record Date, will be to:

- (a) increase the cash reserves by approximately \$5,165,000 immediately after completion of the Offer after deducting the estimated expenses of the Offer; and
- (b) increase the number of Shares on issue from 1,075,769,693, to approximately 1,233,780,774 Shares following completion of the Offer.

5.3 Consolidated and Pro-Forma Balance Sheets

The unaudited Consolidated Balance Sheet as at 30 November 2010 and the unaudited Pro Forma Balance Sheet as at 30 November 2010 shown on the following page have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position. They have been prepared on the assumption that all Shares pursuant to the Offer in this Prospectus are issued.

The Balance Sheets have been prepared to provide Shareholders with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

Consolidated Balance Sheet and Pro Forma Balance Sheet

	Notes	Consolidated	Pro-forma
		30 Nov 2010	30 Nov 2010
		(unaudited)	(unaudited)
		\$	
CURRENT ASSETS			
Cash and cash equivalents	(i)	1,927,343	16,642,731
Trade and other receivables		313,281	313,281
TOTAL CURRENT ASSETS		2,240,624	16,956,012
NON-CURRENT ASSETS			
Receivables		1,715,402	1,715,402
Plant and equipment		1,679,852	1,679,852
Exploration and evaluation costs		1,934,244	1,934,244
Mineral Development Expenditure		4,494,980	4,494,980
TOTAL NON-CURRENT ASSETS		9,824,478	9,824,478
TOTAL ASSETS		12,065,102	26,780,490
CURRENT LIABILITIES			
Trade and other payables		652,039	652,039
		100,000	100,000
Provisions		93,615	93,615
TOTAL CURRENT LIABILITIES		845,654	845,654
NON-CURRENT LIABILITIES			
Provisions		4,067,476	4,067,476
TOTAL NON-CURRENT LIABILITIES		4,067,476	4,067,476
TOTAL LIABILITIES		4,913,130	4,913,130
NET ASSETS		7,151,972	21,867,360
EQUITY			
Contributed equity	(ii)	79,334,763	94,050,151
Reserves		2,700,235	2,700,235
Accumulated Losses		(74,883,026)	(74,883,026)
TOTAL EQUITY		7,151,972	21,867,360

Notes and Assumptions

(i) Cash and cash equivalents	
Cash and cash equivalents as at 30 November 2010	1,927,343
Capital Raised from option conversions	150,000
Capital raised from entitlement issue (after costs of \$365,000)	5,165,388
Capital raised from Placement (after costs of \$600,000)	9,400,000
	<u>16,642,731</u>

(ii) Contributed Equity	
Contributed equity as at 30 November 2010	79,334,763
Capital raised from option conversions	150,000
Capital raised from entitlement issue (after costs of \$365,000)	5,165,388

Capital raised from Placement (after costs of \$600,000)	9,400,000
	<u>94,050,151</u>

The key assumptions on which the pro-forma balance sheet is based are as follows:

- (a) Alcyone issues 158,011,081 shares at \$0.035 per share pursuant to the Offer. The issue will raise approximately \$5.5 million before costs.
- (b) Alcyone incurs transaction costs of \$365,000 for the issue under the Offer which have been recognised directly against the share capital, as a reduction of the proceeds of the Offer.
- (c) Shareholders approve the issue of the Second Tranche of the Placement and Alcyone issues 285,714,286 shares at \$0.035 per share pursuant to the Placement. The issue will raise approximately \$10 million before costs. Alcyone incurs transaction costs of \$600,000 under the Placement which have been recognised directly against the share capital as a reduction of the proceeds of the placement.
- (d) The accounting policies adopted in the preparation of the pro forma balance sheet are consistent with the accounting policies adopted and described in the Company's Financial Report for the year ended 30 June 2010 and should be read in conjunction with that Financial Report.
- (e) No options are exercised prior to the Record Date.
- (f) Alcyone suffers no materially adverse event.

5.4 Effect on capital structure on completion of the Offer and Placement

A comparative table of changes in the capital structure of the Company as a consequence of the Offer is set out below, assuming that the Offer and the Placement are fully subscribed and no Options are exercised prior to the Record Date.

Shares	Number
Shares on issue at date of Prospectus	790,055,407
Shares issued pursuant to the Offer	158,011,081
Shares issued pursuant to the Placement ¹	285,714,286
Total Shares on issue after completion of the Offer and Placement	1,233,780,774

Options	Number
Unlisted exercisable at \$0.01 on or before 30 September 2012	118,500,000
Unlisted exercisable at \$9.00 on or before 14 August 2011	423,750
Unlisted exercisable at \$9.60 on or before 9 November 2012	250,000
Listed exercisable at \$1.60 on or before 30 September 2011	667,902
Options now offered	Nil
Total Options on issue after completion of the Offer and the Placement	119,841,652

Note 1: The number of Shares issued assumes that Shareholders approve the issue of the Tranche 2 of the Placement and that the Placement is fully subscribed.

6. RIGHTS AND LIABILITIES ATTACHING TO THE SHARES

(a) General Meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution of the Company.

(b) Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- (i) each shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and
- (iii) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such shares registered in the shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) Dividend Rights

The Directors may from time to time declare a dividend to be paid to shareholders entitled to the dividend. The dividend shall be payable on all shares in accordance with the Corporations Act. The Directors may from time to time pay to the shareholders such interim dividends as they may determine. No dividends shall be payable except out of profits. A determination by the Directors as to the profits of the Company shall be conclusive. No dividend shall carry interest as against the Company.

(d) Winding-Up

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the shareholders or different classes of shareholders. The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no shareholder is compelled to accept any shares or other securities in respect of which there is any liability. Where an order is made for the winding up of the Company or it is resolved by special resolution to wind up the Company,

then on a distribution of assets to members, shares classified by ASX as restricted securities and which are subject to escrow restrictions at the time of the commencement of the winding up shall rank in priority after all other shares.

(e) **Transfer of Shares**

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the Listing Rules.

(f) **Changes to Capital Structure**

The Company may by ordinary resolution and subject to the Corporations Act and the Listing Rules:

- (iv) increase its share capital by the issue of new shares of such amount as is specified in a resolution;
- (v) consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares;
- (vi) sub-divide all or any of its shares into shares of smaller amount than is fixed by the Constitution, but so that in the sub-division the proportion between the amount paid and the amount (if any) unpaid on each such share of a smaller amount is the same as it was in the case of the share from which the share of a smaller amount is derived; and
- (vii) cancel shares that, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person or have been forfeited and reduce its share capital by the amount of the shares so cancelled.

(g) **Variation of Rights**

Pursuant to Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of shareholders vary or abrogate the rights attaching to shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

7. RISK FACTORS

7.1 Introduction

Applicants should consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Shares. Potential Applicants should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares.

There are specific risks which relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

7.2 Risks specific to the Company

7.2.1 Future Capital Requirements

The Company's ongoing activities will require substantial expenditures. There can be no guarantee that the funds raised through the Offer will be sufficient to successfully achieve all the objectives of the Company's overall business strategy. If the Company is unable to continue to use debt or equity to fund expansion after the substantial exhaustion of the net proceeds of the Offer, there can be no assurances that the Company will have sufficient capital resources for that purpose, or other purposes, or that it will be able to obtain additional fundraising on terms acceptable to the Company or at all. Any additional equity financing may be dilutive to shareholders and any debt financing if available may involve restrictive covenants, which may limit the Company's operations and business strategy.

Shareholders should note that the Financial Statements of the Company for the year ended 30 June 2010 have been prepared on a going concern basis. However the ability of the Company to continue as a going concern and to meet planned and committed expenditure requirements is subject to the Company successfully exploiting the investments and mining projects owned by the Company and/or obtaining equity or debt capital.

The Company's failure to raise capital, if and when needed, could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities.

7.2.2 Operating Risks

The current and future operations of the Company, including exploration, appraisal and possible production activities may be affected by a range of factors, including:

- (a) adverse geological conditions;
- (b) failure to achieve predicted grades in exploration and mining;
- (c) limitations on activities due to seasonal weather patterns and cyclone activity;

- (d) unanticipated operational and technical difficulties encountered in geophysical surveys, drilling and production activities;
- (e) difficulties in commissioning and operating plant and equipment;
- (f) mechanical failure of operating plant and equipment;
- (g) unanticipated metallurgical problems which may affect extraction costs;
- (h) industrial and environmental accidents, industrial disputes and other force majeure events;
- (i) unexpected shortages or increases in the costs of labour, consumables, spare parts, plant and equipment; and
- (j) inability to obtain or maintain any necessary consents or approvals.

No assurances can be given that the Company will achieve commercial viability through successful exploration and/or mining. Until the Company is able to realise value from its projects, it is likely to incur ongoing operating losses.

7.2.3 Commodity Price Volatility and Exchange Rate Risks

If the Company achieves success leading to mineral production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to commodity price and exchange rate risks. Commodity prices (including for silver) fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for precious and base metals, technological advancements, forward selling activities and other macro-economic factors.

Furthermore, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

7.2.4 Mineral Resource Estimates Risk

Mineral Resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and mining plans which may, in turn, adversely affect the Company's operations.

7.2.5 Title Risk

Although the Company has investigated title to all of its tenements, the Company cannot give any assurance that title to such tenements will not be challenged or impugned. The tenements, which have had a number of owners, were acquired from the administrator on an as is where is basis with no assurance as to the completeness of the corporate records relating to the tenements. Accordingly, there is a residual risk that, despite the Company's

investigations, the tenements may be subject to prior unregistered agreements or transfers or title may be affected by unregistered encumbrances, third party interests or defects.

7.2.6 Environmental Risks

The operations and proposed activities of the Company are subject to State and Federal laws and regulations concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds.

The Company intends to conduct its activities in an environmentally responsible manner and in accordance with applicable laws and industry standards. Areas disturbed by the Company's activities will be rehabilitated as required by regulatory authorities.

Mining operations have inherent risks and liabilities associated with safety and damage to the environment and the disposal of waste products occurring as a result of mineral exploration and production. The occurrence of any such safety or environmental incident could delay production or increase production costs. Events, such as unpredictable rainfall or bushfires, may impact on the Company's ongoing compliance with environmental legislation, regulations and licences. Significant liabilities could be imposed on the Company for damages, clean up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous operations or non-compliance with environmental laws or regulations.

The disposal of mining and process waste and mine water discharge are under constant legislative scrutiny and regulation. There is a risk that environmental laws and regulations become more onerous making the Company's operations more expensive.

Approvals are required for land clearing and for ground disturbing activities. Delays in obtaining such approvals can result in the delay or modification to anticipated exploration programmes or mining activities. There is always a risk that detailed environmental investigations will identify endangered or other protected species that may affect the ability of the Company to obtain any necessary government approvals or carry out its operations as planned.

7.2.7 Environmental Bonds

The tenements are subject to unconditional performance bonds (currently approximately \$1,602,000 to cover the anticipated cost of rehabilitation of historical mining on the tenements. The bonds may be increased in the future, either in relation to previous mining or new mining activities, which the Company would need to fund. In addition, there can be no assurance given that the actual rehabilitation costs incurred will not exceed the amount of the bonds.

7.2.8 Native Title Risks

Both the *Native Title Act 1993* (Cth), related State Native Title legislation and Aboriginal Land Rights and Aboriginal Heritage legislation may affect the Company's ability to gain access to prospective exploration areas or obtain production titles.

Compensatory obligations may be necessary in settling Native Title claims if lodged over any tenements acquired by the Company. The existence of

outstanding registered Native Title claims means that the grant of a tenement in respect of a particular tenement application may be significantly delayed or thwarted pending resolution of future act procedures in the Native Title Act. The level of impact of these matters will depend, in part, on the location and status of the tenements acquired by the Company. At this stage it is not possible to quantify the impact (if any) which these developments may have on the operations of the Company.

7.2.9 Regulatory Risks

The Company's mining operations and exploration and development activities are subject to extensive laws and regulations relating to numerous matters including resource licence consent, conditions including environmental compliance and rehabilitation, taxation, employee relations, health and worker safety, waste disposal, protection of the environment, native title and heritage matters, protection of endangered and protected species and other matters. The Company requires permits from regulatory authorities to authorise the Company's operations. These permits relate to exploration, development, production and rehabilitation activities.

Obtaining necessary permits can be a time consuming process and there is a risk that Company will not obtain these permits on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining necessary permits and complying with these permits and applicable laws and regulations could materially delay or restrict the Company from proceeding with the development of a project or the operation or further development of a mine. Any failure to comply with applicable laws and regulations or permits, even if inadvertent, could result in material fines, penalties or other liabilities. In extreme cases, failure could result in suspension of the Company's activities or forfeiture of one or more of the tenements.

7.2.10 Legislative changes and Government policy Risk

Changes in government regulations and policies may adversely affect the financial performance of the Company. The Company's capacity to explore and mine, in particular the Company's ability to explore and mine any reserves, may be affected by changes in government policy, which are beyond the control of the Company.

7.2.11 Key personnel and employees Risk

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

7.2.12 Force Majeure

The Company's projects now or in the future may be adversely affected by risks outside the control of the Company including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

7.3 General risks

The value of the Company's Securities are affected by a number of general factors which are beyond the control of the Company and its Directors including those set out below.

7.3.1 Economic risks

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

Further, share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (a) general economic outlook;
- (b) interest rates and inflation rates;
- (c) currency fluctuations;
- (d) changes in investor sentiment toward particular market sectors;
- (e) the demand for, and supply of, capital; and
- (f) terrorism or other hostilities.

7.3.2 Market conditions

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities and in particular, resources stocks. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

7.3.3 Security investments

Applicants should be aware that there are risks associated with any securities investment. Securities listed on the stock market, and in particular securities of mining and exploration companies have experienced extreme price and volume fluctuations that have often been unrelated to the operating performances of such companies. These factors may materially affect the market price of the securities regardless of the Company's performance.

Exploration in itself is a speculative endeavour, while mining operations can be hampered by force majeure circumstances and cost overruns for unforeseen events.

7.3.4 Dividends

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the availability of distributable earnings and operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

7.4 Investment Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus. Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those securities.

Potential investors should consider that an investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

8. ADDITIONAL INFORMATION

8.1 Continuous disclosure obligations

The Company is a “disclosing entity” (as defined in Section 111AC of the Corporations Act) for the purposes of Section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

This Prospectus is a “transaction specific prospectus”. In general terms “transaction specific prospectuses” are only required to contain information in relation to the effect of the issue of securities on the Company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 12 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in Section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (i) the financial statements of the Company for the financial year ended 30 June 2010 being the last financial statements for a financial year, of the Company lodged with the ASIC before the issue of this Prospectus;
 - (ii) any half year financial statements of the Company lodged with ASIC since the lodgement of the last financial statements for

the year ended 30 June 2010 lodged with ASIC before the issue of this Prospectus; and

- (iii) any documents used to notify ASX of information relating to the Company in the period from lodgement of the financial statements referred to in paragraph (i) above until the issue of the Prospectus in accordance with the Listing Rules as referred to in Section 674(1) of the Corporations Act.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

The Company has lodged the following announcements with ASX since the lodgement of the 2010 audited financial statements:

Date	Description of Announcement
09/12/2010	Capital Raising Mandate for up to \$10m
09/12/2010	Trading Halt
08/12/2010	Appendix 3B
07/12/2010	Response to ASX.
01/12/2010	Change of Share Registry
25/11/2010	Results of Annual General Meeting
25/11/2010	Alcyone Raising \$5m to Underpin Silver Production Transition
10/11/2010	Appendix 3B
05/11/2010	Site Works for Trial Re-irrigation of Silver Heaps Commences
02/11/2010	New High Grade Silver Results for Twin Hills
22/10/2010	Notice of Annual General Meeting/Proxy Form
22/10/2010	Annual Report to Shareholders
22/10/2010	More High Grade Results at Mt Gunyan
15/10/2010	Quarterly Activities and Cashflow Report
14/10/2010	Drilling Update – Texas Project
05/10/2010	Strong Drilling Results from Mt Gunyan Silver Deposit
29/09/2010	Managing Directors Presentation – September 2010

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

The announcements are also available through the Company's website www.alcyone.com.au.

8.2 Underwriting Agreement

By an agreement between Cygnet Capital Pty Ltd (ACN 103 488 606) (**Underwriter**) and the Company (**Underwriting Agreement**) dated 8 December 2010, the Underwriter agreed to fully underwrite the number of Shares offered under the Offer, being approximately 158,011,081 Shares (**Underwritten Shares**) at a total subscription price of \$5,530,388 (**Underwritten Amount**). Entitlements as a result of additional Shares issued due to the exercise of Options prior to the Record Date are underwritten.

Pursuant to the Underwriting Agreement, the Company has agreed to pay the Underwriter an underwriting fee of 6% (excluding GST) of the value of the Underwritten Amount, as well as reimbursement of expenses.

All definitions and clauses referred to in the below summary are as applied in the Underwriting Agreement.

The obligation of the Underwriter to fully underwrite the Offer is subject to certain events of termination. The Underwriter may terminate its obligations under the Underwriting Agreement if:

- (a) **(Indices fall)**: either the All Ordinaries Index or the S&P ASX 200 Index is at any time after the date of this Agreement 10% or more below its respective level as at the close of business on the Business Day prior to the date of this Agreement; or
- (b) **(Share Price)**: the ordinary fully paid shares of the Company finish trading on the ASX under the ASX code of "AYN" on any five (5) consecutive trading days with a closing price that is less than the issue price of the Underwritten Shares;
- (c) **(Prospectus)**: the Company does not lodge the Prospectus on the Lodgement Date or the Prospectus or the Offer is withdrawn by the Company; or
- (d) **(No Listing Approval)**: the Company fails to lodge an Appendix 3B in relation to the Underwritten Shares with ASX within 7 days of the Lodgement Date; or
- (e) **(Supplementary prospectus)**:
 - (i) the Underwriter, having elected not to exercise its right to terminate its obligations under the Underwriting Agreement as a result of an occurrence as described in clause 11.2 of the Underwriting Agreement, forms the view on reasonable grounds that a Supplementary Prospectus should be lodged with ASIC for any of the reasons referred to in Section 719 of the Corporations Act and the Company fails to lodge a Supplementary Prospectus in such form and content and within such time as the Underwriter may reasonably require; or
 - (ii) the Company lodges a Supplementary Prospectus without the prior written agreement of the Underwriter; or
- (f) **(Non-compliance with disclosure requirements)**: it transpires that the Prospectus does not contain all the information that investors and their professional advisers would reasonably require to make an informed assessment of:
 - (iii) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
 - (iv) the rights and liabilities attaching to the Underwritten Shares;
- (g) **(Restriction on allotment)**: the Company is prevented from allotting the Underwritten Shares within the time required by this Agreement, the Corporations Act, the Listing Rules, any statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or any court of competent

jurisdiction or any governmental or semi-governmental agency or authority;

- (h) **(Withdrawal of consent to Prospectus)**: any person (other than the Underwriter) who has previously consented to the inclusion of its, his or her name in the Prospectus or to be named in the Prospectus, withdraws that consent;
- (i) **(ASIC application)**: an application is made by ASIC for an order under Section 1324B or any other provision of the Corporations Act in relation to the Prospectus, the Shortfall Notice Deadline Date has arrived, and that application has not been dismissed or withdrawn;
- (j) **(ASIC hearing)**: ASIC gives notice of its intention to hold a hearing under Section 739 of the Corporations Act in relation to the Prospectus to determine if it should make a stop order in relation to the Prospectus or ASIC makes an interim or final stop order in relation to the Prospectus under Section 739 of the Corporations Act;
- (k) **(Takeovers Panel)**: the Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are unacceptable circumstances under Pt 6.10 of the Corporations Act, or an application for such a declaration is made to the Takeovers Panel;
- (l) **(Hostilities)**: there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of this agreement involving one or more of Australia, New Zealand, Indonesia, Japan, Russia, the United Kingdom, the United States of America, India, Pakistan, or the Peoples Republic of China, Israel or any member of the European Union, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world;
- (m) **(Authorisation)**: any authorisation which is material to anything referred to in the Prospectus is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Underwriter;
- (n) **(Indictable offence)**: a director or senior manager of a Relevant Company is charged with an indictable offence;
- (o) **(Termination Events)**: any of the following events occurs and, in the reasonable opinion of the Underwriter reached in good faith, it has or is likely to have, or those events together have, or could reasonably be expected to have, a Material Adverse Effect or could give rise to a liability of the Underwriter under the Corporations Act:
 - (v) **(Default)**: default or breach by the Company under this Agreement of any terms, condition, covenant or undertaking;
 - (vi) **(Incorrect or untrue representation)**: any representation, warranty or undertaking given by the Company in this Agreement is or becomes untrue or incorrect;
 - (vii) **(Contravention of constitution or Act)**: a contravention by a Relevant Company of any provision of its constitution, the Corporations Act, the Listing Rules or any other applicable legislation or any policy or requirement of ASIC or ASX;

- (viii) **(Adverse change)**: an event occurs which gives rise to a Material Adverse Effect or any adverse change or any development including a prospective adverse change after the date of this Agreement in the assets, liabilities, financial position, trading results, profits, forecasts, losses, prospects, business or operations of any Relevant Company including, without limitation, if any forecast in the Prospectus becomes incapable of being met or in the Underwriter's reasonable opinion, unlikely to be met in the projected time;
- (ix) **(Error in Due Diligence Results)**: it transpires that any of the Due Diligence Results or any part of the Verification Material was false, misleading or deceptive or that there was an omission from them;
- (x) **(Misleading Prospectus)**: it transpires that there is a statement in the Prospectus that is misleading or deceptive or likely to mislead or deceive, or that there is an omission from the Prospectus (having regard to the provisions of Sections 711, 713 and 716 of the Corporations Act) or if any statement in the Prospectus becomes misleading or deceptive or likely to mislead or deceive or if the issue of the Prospectus is or becomes misleading or deceptive or likely to mislead or deceive;
- (xi) **(Significant change)**: a "new circumstance" as referred to in Section 719(1) of the Corporations Act arises that is materially adverse from the point of view of an investor;
- (xii) **(Public statements)**: without the prior approval of the Underwriter a public statement is made by the Company in relation to the Offer, the Issue or the Prospectus;
- (xiii) **(Misleading information)**: any information supplied at any time by the Company or any person on its behalf to the Underwriter in respect of any aspect of the Offer or the Issue or the affairs of any Relevant Company is or becomes misleading or deceptive or likely to mislead or deceive;
- (xiv) **(Official Quotation qualified)**: the official quotation is qualified or conditional other than as set out in clause 1.3 of the Underwriting Agreement;
- (xv) **(Change in Act or policy)**: there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any of its States or Territories any Act or prospective Act or budget or the Reserve Bank of Australia or any Commonwealth or State authority adopts or announces a proposal to adopt any new, or any major change in, existing, monetary, taxation, exchange or fiscal policy;
- (xvi) **(Prescribed Occurrence)**: a Prescribed Occurrence occurs, other than as disclosed in the Prospectus;
- (xvii) **(Suspension of debt payments)**: the Company suspends payment of its debts generally;

- (xviii) **(Event of Insolvency)**: an Event of Insolvency occurs in respect of a Relevant Company;
- (xix) **(Judgment against a Relevant Company)**: a judgment in an amount exceeding \$100,000.00 is obtained against a Relevant Company and is not set aside or satisfied within 7 days;
- (xx) **(Litigation)**: litigation, arbitration, administrative or industrial proceedings are after the date of this Agreement commenced against any Relevant Company, other than any claims foreshadowed in the Prospectus;
- (xxi) **(Board and senior management composition)**: there is a change in the composition of the Board or a change in the senior management of the Company before the date of issue of the Underwritten Shares without the prior written consent of the Underwriter;
- (xxii) **(Change in shareholdings)**: there is a material change in the major or controlling shareholdings of a Relevant Company or a takeover offer or scheme of arrangement pursuant to Chapter 5 or 6 of the Corporations Act is publicly announced in relation to a Relevant Company;
- (xxiii) **(Timetable)**: there is a delay in any specified date in the Timetable which is greater than 3 Business Days;
- (xxiv) **(Force Majeure)**: a Force Majeure affecting the Company's business or any obligation under the Agreement lasting in excess of 7 days occurs;
- (xxv) **(Certain resolutions passed)**: a Relevant Company passes or takes any steps to pass a resolution under Section 254N, Section 257A or Section 260B of the Corporations Act or a resolution to amend its constitution without the prior written consent of the Underwriter;
- (xxvi) **(Capital Structure)**: any Relevant Company alters its capital structure in any manner not contemplated by the Prospectus;
- (xxvii) **(Breach of Material Contracts)**: any of the Contracts is terminated or substantially modified;
- (xxviii) **(Investigation)**: any person is appointed under any legislation in respect of companies to investigate the affairs of a Related Company; or
- (xxix) **(Market Conditions)**: a suspension or material limitation in trading generally on ASX occurs or any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or other international financial markets.

The Underwriting Agreement also contains a number of indemnities, representations and warranties from the Company to the Underwriter that are considered standard for an agreement of this type.

8.3 Additional Disclosure in relation to Underwriting

The Underwriter currently has voting power in the Company of 0%.

Technically, the Underwriter could acquire voting power of up to 16.7% of the Company if no Shareholders take up their Entitlement (assuming the sub-underwriting does not eventuate and Placement does not proceed).

8.4 Sub-underwriting

The Company has been advised by the Underwriter that it has entered into a sub-underwriting agreement with Seaspin Pty Ltd, a company controlled by Mr Charles Morgan, the Company's Chairman. Seaspin Pty Ltd has agreed to sub-underwrite 57,142,857 Shares of the Underwritten Shares at a total subscription price of \$2,000,000.

The voting power of the Seaspin Pty Ltd as at the date of this Prospectus and the maximum voting power it would obtain under the Offer is set out below.

Sub-underwriter	Number of Shares held	Current Voting Power	Maximum Voting Power
Seaspin Pty Ltd	43,000,000	5.4%	11.5%

Notes: The maximum voting power assumes that Seaspin Pty Ltd subscribes for its full Entitlement under the Offer but ignoring the effect of the Placement. Assuming the Placement is fully subscribed, Seaspin Pty Ltd's maximum voting power will be diluted to 8.8%.

8.5 Agreement Southern Cross Equities Limited Mandate

On 9 December 2010, the Company announced that it had entered into an engagement agreement (**Mandate**) with Southern Cross Equities Limited (**Southern Cross**) to act as lead manager for a placement to raise up to \$10 million by the issue of 285,714,286 Shares at an issue price of 3.5 cents per share to professional and sophisticated investors (**Placement**). Southern Cross must undertake the placement on a "best endeavours basis".

The Placement will be conducted in two tranches. Tranche 1 will comprise approximately 118 million Shares undertaken under the Company's 15% placing authority under ASX Listing Rule 7.1. Tranche 2, of approximately 167 million Shares, will be subject to Shareholder approval at a meeting to be convened in January 2011.

Pursuant to the Mandate, the Company has agreed to pay Southern Cross a management fee of 1% (excluding GST) of the gross amount raised (excluding GST) from the Placement and a transaction fee of 5% of the gross amount raised from the Placement which has been placed by Southern Cross, as well as reimbursement of expenses.

The Mandate also contains a number of indemnities, representations and warranties from the Company to Southern Cross that are considered standard for an agreement of this type.

8.6 Directors' interests

Other than as set out below or elsewhere in this Prospectus, no Director nor any firm in which such a Director is a partner, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer pursuant to this Prospectus; or
- (c) the Offer pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any Director or to any firm in which any such Director is a partner, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or by the firm in connection with the formation or promotion of the Company or Offer pursuant to this Prospectus.

Directors' interests in securities of the Company at the date of this Prospectus are:

Name	Shares	Options	Entitlement	Cost
Charles Morgan	43,000,000	-	8,600,000	\$301,000
Andrew King	35,000,000	35,000,000	7,000,000	\$245,000
Eric de Mori	5,250,000	7,000,000	1,050,000	\$36,750

Note:

¹ Each of the Directors has indicated that it is their present intention to subscribe for part of their Entitlement under the Offer.

² Options are exercisable by payment of 1 cent each on or before 30 September 2012.

Eric de Mori is an employee of Cygnet Capital, the Underwriter.

The Constitution of the Company provides that the non-executive Directors may be paid for their services as Directors, a sum not exceeding such fixed sum per annum as may be determined by the Company in general meeting, to be divided among the Directors and in default of agreement then in equal shares.

The current aggregate fixed sum permitted as remuneration of non executive Directors has been set at an amount not to exceed \$150,000 per annum.

The Company did not pay the current Directors any remuneration for the year ended 30 June 2009 as none of them were appointed, but paid them \$834,067 which excluded an amount of \$428,784 in respect of equity settled options (refer 2010 Annual Report) for the year ended 30 June 2010.

The table below sets out the expected annual remuneration payable to the Directors for the current financial year, inclusive of directors' fees and consultancy fees.

Director	Current Financial Year
Charles Morgan	\$66,000
Andrew King	\$293,000
Eric de Mori	\$35,000

The Directors have been paid remuneration totalling \$141,706 from the end of the previous financial year until the date of this Prospectus.

In addition, a Director may be paid fees or other amounts as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director.

Directors, companies associated with the directors or their associates are also reimbursed for all reasonable expenses properly incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

Seaspin Pty Ltd, an entity controlled by Charles Morgan, the Company's Chairman, has agreed to sub-underwrite the Offer on ordinary commercial terms to the extent of 57,142,857 Shares at a total of \$2,000,000 and shall receive a sub-underwriting fee of 3% plus GST.

8.7 Interests of Experts and Advisers

Other than as set out below or elsewhere in this Prospectus, no expert, underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner, nor any company with which any of those persons is or was associated, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer of securities pursuant to this Prospectus; or
- (c) the Offer of securities pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any expert, underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus, or to any firm in which any of those persons is or was a partner, or to any company with which any of those persons is or was associated, for services rendered by that person, or by the firm or the company, in connection with the formation or promotion of the Company or the Offer pursuant to this Prospectus.

Cygnit Capital Pty Ltd will be paid an underwriting fee of 6% of the Underwritten Amount of \$5,530,388 in respect of this Offer. In the past two years, Cygnit Capital Pty Ltd has been paid fees totalling \$465,000 by the Company.

Steinepreis Paganin have acted as solicitors to the Company in respect of this Prospectus. Steinepreis Paganin will be paid approximately \$15,000 (excluding GST) for services in relation to this Prospectus.

Southern Cross Equities Limited will be paid a management fee of 1% (excluding GST) of the gross amount raised (excluding GST) from the Placement totalling \$100,000 and a transaction fee of 5% of the gross amount raised from the Placement which has been placed by Southern Cross, as well as reimbursement of expenses.

8.8 Consents

Cygnat Capital Pty Ltd has given and has not withdrawn its consent to being named as Underwriter to the Offer in the Corporate Directory of this Prospectus in the form and context in which it is named.

Steinepreis Paganin has given, and has not withdrawn its consent to being named as Solicitors to the Company in the Corporate Directory of this Prospectus in the form and context in which it is named.

Seaspin Pty Ltd has given, and has not withdrawn its consent to being named as a sub-underwriter to the Company in the form and context in which it is named, and to the inclusion of statements in relation to it in the form and context in which they appear.

Southern Cross Equities Limited has given, and has not withdrawn its consent to being named as lead manager to the Placement to the Company in the form and context in which it is named, and to the inclusion of statements in relation to it in the form and context in which they appear.

8.9 Legal proceedings

There is no litigation, arbitration or proceedings pending against or involving the Company as at the date of this Prospectus.

8.10 Estimated expenses of Offer

The total expenses of the Offer are estimated to be approximately \$365,000 (excluding GST) and are expected to be applied towards the items set out in the table below:

	\$
ASIC fees	2,068
ASX fees	12,000
Underwriter fee	332,000
Legal expenses	15,000
Printing and Distribution	4,000
Total	365,068

8.11 Market Price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest and lowest market sale prices of the Company's Shares on ASX during the three months immediately preceding the date of lodgement of this

Prospectus with the ASIC and the respective dates of those sales were:

Highest: \$0.049 on 2 November 2010

Lowest: \$0.020 on 16 July 2010

The latest available closing sale price of the Company's Shares on ASX prior to the lodgement of this Prospectus with the ASIC was \$0.047 on Thursday 9 December 2010.

8.12 Electronic Prospectus

Pursuant to Class Order 00/044, the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the application form. If you have not, please phone the Company and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both.

The Company reserves the right not to accept an application form from a person if it has reason to believe that when that person was given access to the electronic application form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

9. DIRECTORS' CONSENT

Each of the Directors of Alcyone Resources Limited has consented to the lodgement of this Prospectus with the ASIC in accordance with Section 720 of the Corporations Act

Dated the 10th day of December 2010

Andrew King
Managing Director
Alcyone Resources Limited

10. DEFINITIONS

Applicant means a Shareholder or Underwriter or other party instructed by the Underwriter who applies for Securities pursuant to the Offer.

ASIC means the Australian Securities and Investments Commission.

ASX means the ASX Limited (ACN 008 624 691).

ASX Settlement Operating Rules means the settlement rules of the securities clearing house which operates CHESS.

Board means the board of Directors unless the context indicates otherwise.

Business Day means a day on which trading takes place on the stock market of ASX.

Closing Date means the closing date of the Offer, being 5:00pm (WST) on 14 January 2011 (unless extended).

Company means Alcyone Resources Limited (ACN 056 776 160).

Constitution means the Company's Constitution as at the date of this Prospectus.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the directors of the Company at the date of this Prospectus.

Dollar or "\$" means Australian dollars.

Entitlement means the entitlement of a Shareholder who is eligible to participate in the Offer.

Entitlement and Acceptance Form means the entitlement and acceptance form either attached to or accompanying this Prospectus.

Issue means the issue of Shares offered by this Prospectus.

Listing Rules or **ASX Listing Rules** means the Listing Rules of the ASX.

Offer means the offer pursuant to this Prospectus of one (1) new Share for every five (5) Shares held by a Shareholder on the Record Date to raise approximately \$5,530,388.

Official List means the official list of ASX.

Option means an option to acquire a Share.

Placement means the proposed placement to raise up to \$10 million by the issue of approximately 285,714,286 Shares at an issue price of \$0.035 per Share to sophisticated and professional investors, as summarised in Section 4.9 of this Prospectus.

Prospectus means this prospectus.

Quotation and **Official Quotation** means official quotation on ASX.

Record Date means 5:00pm (WST) on 21 December 2010.

Related Corporation has the meaning given to that term in the Corporations Act.

Securities means Shares.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a shareholder of the Company.

Shortfall means those Shares under the Offer not applied for by Shareholders under their Entitlement.

Shortfall Application Form means the shortfall application form attached to or accompanying this Prospectus.

Underwriter means Cygnet Capital Pty Limited (ACN 103 488 606).

WST means Western Standard Time.

Rule 2.7, 3.10.3, 3.10.4, 3.10.5

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003.

Name of entity

ALCYONE RESOURCES LIMITED

ABN

53 056 776 160

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|--|-------------------|
| 1 | +Class of +securities issued or to be issued | Ordinary Shares |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | Up to 158,011,081 |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | Ordinary Shares |

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

<p>4 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>Yes</p>						
<p>5 Issue price or consideration</p>	<p>3.5 cents per Ordinary Share</p>						
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>In accordance with a Prospectus dated 10 December 2010</p>						
<p>7 Dates of entering +securities into uncertificated holdings or despatch of certificates</p>	<p>24 January 2011</p>						
<p>8 Number and +class of all +securities quoted on ASX (including the securities in clause 2 if applicable)</p>	<table border="1"> <thead> <tr> <th data-bbox="716 1339 997 1373">Number</th> <th data-bbox="1002 1339 1274 1373">+Class</th> </tr> </thead> <tbody> <tr> <td data-bbox="716 1379 997 1413">948,066,488</td> <td data-bbox="1002 1379 1274 1413">Ordinary Shares</td> </tr> <tr> <td data-bbox="716 1419 997 1453">667,902</td> <td data-bbox="1002 1419 1274 1453">\$1.60 Options with expiry 30/9/2011</td> </tr> </tbody> </table>	Number	+Class	948,066,488	Ordinary Shares	667,902	\$1.60 Options with expiry 30/9/2011
Number	+Class						
948,066,488	Ordinary Shares						
667,902	\$1.60 Options with expiry 30/9/2011						

+ See chapter 19 for defined terms.

	Number	+Class
9 Number and +class of all +securities not quoted on ASX (including the securities in clause 2 if applicable)	118,500,000	\$0.01 Options with expiry 30/9/2012
	423,750	\$9.00 Options with expiry 14/8/2011
	250,000	\$9.60 Options with expiry 9/11/2012
10 Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	Not applicable	

Part 2 - Bonus issue or pro rata issue

11 Is security holder approval required?	No
12 Is the issue renounceable or non-renounceable?	Non - renounceable
13 Ratio in which the +securities will be offered	1 for 5
14 +Class of +securities to which the offer relates	Ordinary Shares
15 +Record date to determine entitlements	21 December 2010
16 Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	Not applicable
17 Policy for deciding entitlements in relation to fractions	Round up to nearest whole number
18 Names of countries in which the entity has +security holders who will not be sent new issue documents Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.	Entitlement is limited to residents of Australia and New Zealand only
19 Closing date for receipt of acceptances or renunciations	5.00pm (WST) 14 January 2011

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

20	Names of any underwriters	Cygnit Capital Pty Limited
21	Amount of any underwriting fee or commission	Underwriting fee of 6% of the value of the underwritten amount.
22	Names of any brokers to the issue	Not applicable
23	Fee or commission payable to the broker to the issue	Not applicable
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of +security holders	Not applicable
25	If the issue is contingent on +security holders' approval, the date of the meeting	Not applicable
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	23 December 2010
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	10 December 2010
28	Date rights trading will begin (if applicable)	Not applicable
29	Date rights trading will end (if applicable)	Not applicable
30	How do +security holders sell their entitlements <i>in full</i> through a broker?	Not applicable
31	How do +security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	Not applicable

+ See chapter 19 for defined terms.

- 32 How do ⁺security holders dispose of their entitlements (except by sale through a broker)?
- 33 ⁺Despatch date

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

- 34 Type of securities
(tick one)
- (a) Securities described in Part 1
- (b) All other securities
Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

- 35 If the ⁺securities are ⁺equity securities, the names of the 20 largest holders of the additional ⁺securities, and the number and percentage of additional ⁺securities held by those holders
- 36 If the ⁺securities are ⁺equity securities, a distribution schedule of the additional ⁺securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over
- 37 A copy of any trust deed for the additional ⁺securities

⁺ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

Entities that have ticked box 34(b)

<p>38 Number of securities for which +quotation is sought</p>	<p>Not applicable</p>					
<p>39 Class of +securities for which quotation is sought</p>	<p>Not applicable</p>					
<p>40 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>Not applicable</p>					
<p>41 Reason for request for quotation now</p> <p>Example: In the case of restricted securities, end of restriction period</p> <p>(if issued upon conversion of another security, clearly identify that other security)</p>	<p>Not applicable</p>					
<p>42 Number and +class of all +securities quoted on ASX (<i>including</i> the securities in clause 38)</p>	<table border="1"> <thead> <tr> <th data-bbox="732 1381 1013 1415">Number</th> </tr> </thead> <tbody> <tr> <td data-bbox="732 1415 1013 1589">Not applicable</td> </tr> </tbody> </table>	Number	Not applicable	<table border="1"> <thead> <tr> <th data-bbox="1013 1381 1292 1415">+Class</th> </tr> </thead> <tbody> <tr> <td data-bbox="1013 1415 1292 1589"></td> </tr> </tbody> </table>	+Class	
Number						
Not applicable						
+Class						

+ See chapter 19 for defined terms.

Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- We warrant that if confirmation is required under section 1017F of the Corporations Act in relation to the +securities to be quoted, it has been provided at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.



Sign here:
(Company secretary)

Date: 10 December 2010

Print name:

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

== == == == ==

+ See chapter 19 for defined terms.



ABN 53 056 776 160
Level 1, 50 Kings Park Road, West Perth WA 6005
PO Box 928, West Perth WA 6872
T: +61 (0)8 9322 3000
F: +61 (0)8 9322 8912
www.alcyone.com.au

10 December 2010

##Insert Name of Optionholder##
##Insert Address of Optionholder##

Dear Optionholder

NON-RENOUNCEABLE ENTITLEMENT ISSUE

On 10th December 2010, Alcyone Resources Limited (**Company**) lodged a prospectus (**Prospectus**) with the Australian Securities & Investments Commission (**ASIC**) in relation to a non-renounceable entitlement issue of 1 fully paid ordinary share in the capital of the Company (**Share**) for every 5 Shares held by shareholders of the Company holding Shares as at the Record Date (as set out in the timetable below) (**Eligible Shareholders**) at an issue price of 3.5 cents per Share, to raise up to approximately \$5,530,388 (**Offer**). Fractional entitlements will be rounded up to the nearest whole number.

All of the Shares offered under the Prospectus will rank equally with the Shares on issue at the date of the Prospectus. The Prospectus contains further information regarding the rights and liabilities attaching to the Shares.

There are no participating rights or entitlements inherent in the Options on issue as at the date of the Prospectus and you, as a holder of such Options, will not be entitled to participate in the Offer without first exercising some or all of your Options in accordance with their terms and conditions prior the Record Date. It is your responsibility to ensure the exercise form and relevant payment are received by the Company in reasonable time to ensure these funds clear and the Option conversion process is completed on or before the Record Date.

Before deciding whether to exercise any Options you hold prior to the Record Date and participate in the Offer you should consider the terms of the Offer carefully and read the Prospectus in its entirety and if in doubt you should consult your stockbroker, accountant or other professional adviser.

Fully underwritten

The Offer is fully underwritten by Cygnet Capital Pty Limited (ACN 103 488 606) AFSL (**Underwriter**). Entitlements as a result of additional Shares issued due to the exercise of Options prior to the Record Date will be underwritten. The underwriting is subject to standard terms and conditions and further details are set out in the Prospectus.

The Company has agreed to pay the Underwriter an underwriting fee of 6% (excluding GST) of the value of the amount underwritten, as well as reimbursement of expenses.

Offer to Australia and New Zealand investors only

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of Shares these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offer is not being extended and Shares will not be issued to Shareholders with a registered address which is outside Australia or New Zealand. Shareholders resident in New Zealand should consider the additional disclosures specific to them as set out in the Prospectus and should consult their professional advisors as to whether any government or other consents are required, or other formalities need to be observed, to enable them to exercise their entitlements under the Offer.

Availability of Prospectus

The Prospectus together with a personalised entitlement and acceptance form will only be sent to Eligible Shareholders on the date set out in the timetable above. If you have not exercised your Options at this time and are not otherwise a Shareholder you will not receive a copy of the Prospectus. You may however obtain a copy of the Prospectus from the ASX website at www.asx.com.au and on the Company's website at www.alcyone.com.au.

Use of Funds

The funds raised by the Offer will be used to commence pre-development and infra-structure activities of the Company, order long lead time items, explore mineral resources and to meet the anticipated expenses of the Offer.

Timetable

The timetable in respect of the Offer is set out below:

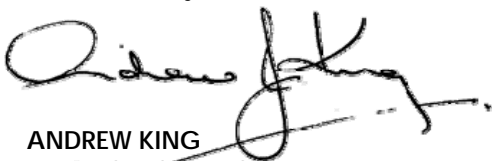
Lodgement of Prospectus with ASIC	10 December 2010
Notice sent to Optionholders	10 December 2010
Notice sent to Shareholders	14 December 2010
Ex Date	15 December 2010
Record Date for determining Entitlements	5pm (WST) 21 December 2010
Prospectus dispatched to Shareholders	23 December 2010
Closing Date	5.00pm (WST) on 14 January 2011
Securities quoted on a deferred settlement basis	17 January 2011
Notify ASX and Underwriter of under-subscriptions	19 January 2011
Dispatch date/Shares entered into Shareholders' security holdings	24 January 2011
Date of quotation of Shares issued under the Offer*	25 January 2010
Underwriter lodges applications for Shortfall Shares	25 January 2011
Date of quotation of Shortfall Shares*	31 January 2011

** The Directors may extend the Closing Date by giving at least 6 Business Days notice to ASX prior to the Closing Date. As such the date the Shares are expected to commence trading on ASX may vary.*

Enquiries

If you have any questions about applying for securities under the Prospectus, please contact Kevin Hart, Company Secretary on +61 8 9316 9100.

Yours faithfully



ANDREW KING
MANAGING DIRECTOR
ALCYONE RESOURCES LIMITED