



# June 2012 Quarterly Report



## Alcyone Resources Ltd

### Directors:

Charles Morgan – Non Exec Chairman

Andrew King – Managing Director

Andrew Richards – Non Exec Director

Ian McCubbing – Non Exec Director

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### Capital Structure:

1,443,066,626 shares

94,396,004 options

### Top 10 Shareholders:

JP Morgan	17.92%
HSBC Custody Nominees (Aus) Ltd	3.70%
Lyandji Super Fund	2.50%
Seaspin Pty Ltd	2.40%
Golden Matrix Holdings Pty Ltd	1.52%
Citicorp Nominees Pty Limited	1.22%
J P Morgan Nominees	0.94%
Zero Nominees Pty Ltd	0.89%
Mr. R Harris	0.66%
ABN Ambro Clearing Sydney Nominees	0.64%

**Total for Top 10** 32.37%

**ASX Code:** AYN

## HIGHLIGHTS

### Production

- 169,910oz of silver bullion produced in the June Quarter.
- Production was below forecast due to delays in stacking the new tiers on Leach Pads 1 and 3 caused by some temporary logistical issues with the conveyor stacking sequence which have since been resolved.
- 309,000oz of recoverable silver stacked for the Quarter, resulting in a 34% increase in leaching inventory to ~540,000oz. Valued at ~\$14.5M at current silver prices.
- First layer of Leach Pad 3 completed and under irrigation, with stacking of the next layer of Leach Pad 1 underway and first 11 cells now under irrigation.
- Construction of Leach Pad 4 ahead of schedule and on budget – will increase total area under irrigation by 92%.
- Daily silver production rates of 2,500-3,000oz achieved over the past week, with commercial production rates expected to be achieved during Q3 2012.

### Resource Growth and Ore Reserves

- Twin Hills Ore Reserve Review and Mt Gunyan Mineral Resource update near completion, with results expected early in the September Quarter.

### Exploration

- Acquisition of 900km<sup>2</sup> tenement package quadruples Texas exploration ground. Alcyone exploration model shows potential for silver and base metals with geophysics and reconnaissance drilling to commence after access finalised.
- RAB drilling recommenced at Silver Spur to in-fill and test strike extensions to existing high-grade mineralisation.
- RAB drilling commenced at Vampire Prospect, a Cu in soils anomaly
- In-fill and extension RC drilling is underway at Hornet, subsequent to the end of the quarter, to target maiden JORC resource estimate. Assays are awaited.

### Corporate

- A\$5.1M million capital raising completed to support production ramp-up and operational enhancements.

## OVERVIEW

Silver bullion production was below forecast for the Quarter due to delays with stacking and commissioning the new tier on Leach Pad 1 (LP1) and temporary logistical issues associated with combining LP1 and the new Leach Pad 3 (LP3). While this was disappointing, the combination of a 34 per cent increase in leachable silver inventory to 550,000oz by Quarter-end, the commencement of construction of Leach Pad 4 (LP4), and a sharp increase in daily silver production rates in the past week all indicate that the Company remains in a position to achieve commercial production rates during Q3 2012 – in line with its previously published guidance.

The Twin Hills operations were cost neutral for the Quarter, excluding the construction of LP4 and other capital works, due to the below budget production of silver bullion. Part of the proceeds of the \$5.1 million capital raising completed during the Quarter were utilised to retire outstanding debt and for the construction of LP4, which will underpin an increase in silver production in the second half of the year.

### *Production*

A total of **169,910oz** of silver was produced for the June Quarter (March Quarter: 178,000oz), with **169,769oz** sold at an average silver sales price of \$31.42 per ounce (March Quarter: A\$32.14 per ounce), generating gross sales revenue of A\$5.3 million.

While silver bullion production was only marginally lower than the March Quarter, it was significantly below forecast for the Quarter. This was primarily due to delays in implementing an effective conveyor stacking sequence during commissioning of the next phase of LP3. For logistical and long term efficiency reasons, the commissioning of LP3 involves combining the old LP1 and the new LP3 into a single entity.

A conveyor movement sequence was designed to maximise ounces stacked and minimise stacker movements, with the focus on establishing long-term production sources. This resulted in delays to the commencement of irrigation, which impacted saturation rates for the new leach pads. While this has impacted on silver bullion production for the June Quarter, the substantial increase in the area under irrigation and crushed ROM ounces has resulted in a **34 per cent increase in the leaching inventory** to just over 550,000oz by the end of the Quarter with **over 300,000oz** of recoverable silver stockpiled on the heaps during the Quarter. Since the end of the Quarter, the new pads have started to break through with 11 out of 15 cells now flowing at full rates and delivering between 2,500 and +3,000 ounces per day to the leach ponds. The remaining additional cells are being brought on-line at the rate of one per week.

Construction of LP4 also progressed well during the Quarter, with the civil construction slightly ahead of schedule and on budget. The Company plans to commence laying the plastic liner during the second week of August, with stacking to commence early in September.

LP4 is a large pad which will deliver an additional **70,000 square metres** of leach pad area and set up the stacking sequence for the next 18 months. To put this in perspective, LP3 measures only ~22,000 square metres and LP1 plus LP2 total ~ 54,000 square metres. The commissioning of LP4 will result in a 92 per cent increase in the total area under irrigation at Twin Hills to 146,000 square metres, providing a strong foundation to achieve commercial production rates and to continue to grow silver production into the future.

Based on the substantial increase in recoverable silver inventory and area under irrigation, combined with the improvements to the stacking sequence, Alcyone is confident that it will achieve commercial production rates during Q3 2012 and see continuing steady increases in silver bullion production during Q4 2012 and into 2013 with a plateau in production at between 120,000 and 140,000 ozs per month

### *Exploration*

Alcyone significantly expanded its exploration footprint during the Quarter, with the acquisition of a major 900 sq km tenement package lying adjacent to its existing Texas tenements.

The new tenements cover ground to the north and east of the Texas Project, in areas where Alcyone's regional geological and structural models indicate strong potential for both silver and base metal mineralisation. The acquisition provides Alcyone with more than 1,100 sq km of prospective ground under its control.

Alcyone intends to commence exploration activities as soon as it can gain access to the ground, including conducting geophysical surveys and reconnaissance drilling to identify targets.

The next phase of RAB drilling at Silver Spur North was completed by the end of the Quarter, with sulphides detected in many holes. Assay results will be received during the current Quarter.

RAB drilling at Vampire (copper in soils anomaly) has commenced, with three holes completed at the time of preparing this report. Subsequent to the quarter, drilling at Hornet commenced with three holes completed with chalcopyrite observed in the expected position of the mineralised zone.

## 1.0 OPERATIONS

### 1.1 Twin Hills

Alcyone made continued strong progress towards achieving steady-state mining operations at Twin Hills during the June 2012 Quarter, and has laid the foundations to achieve commercial production rates in the third Quarter of calendar 2012.

#### 1.1.1 Silver Production

Silver production for the Quarter was 169,919oz, representing a 5% decrease from the March Quarter. Production was below expectations due to factors that resulted in the late delivery of ounces from the newly constructed leach pads.

During the Quarter, Alcyone combined the new LP3 with the existing LP1, which will increase efficiency and production rates over the long term.

However, the combining of these two pads resulted in a difficult stacking sequence for movement of the main overland conveyor and the pad grasshopper conveyors. A sequence was developed that maximised stacked ounces through minimising crusher/conveyor downtime. By default this slowed down the placement of irrigation lines on the pads.



**Figure 1: Aerial view of Texas Operations showing Leach Pad configuration and increasing area under irrigation**

The late start of irrigation resulted in a delay in the breakthrough of silver-saturated liquor from the freshly irrigated ore. Overall, this resulted in a 3-week delay and was a major contributing factor to the shortfall in forecast production for the June Quarter.

Subsequent to the end of the Quarter, the leach pads have broken through and silver grades in the pregnant liquor pond have risen by 30 per cent. Daily production rates are currently being maintained at between 2,500 and more than 3,000 ounces per day. This has provided a good start to the current Quarter's production and the push to achieve commercial production rates in the September Quarter and steady-state operations in December Quarter of 2012.

Figure 1 shows the configuration of Leach Pads 1-4 and the substantial increase in area under irrigation. The construction of LP4 is on budget and ahead of schedule. The completion of LP4 during the current Quarter will increase the total area under irrigation by 92 per cent to 146,000 square metres,

#### 1.1.2 Processing

At the time of writing this report, the first 5-metre tier of material has been stacked on the combined LP3 and LP1. The leachable silver inventory at the end of June was estimated at 544,300oz with approximately an additional 200,000 already stacked this Quarter.

The continued rapid build-up in leachable silver inventory is providing the basis for sustainable steady-state commercial production. The development of LP4 coupled with the combining of LP1 and LP3 will establish the longer term stacking sequence and thereby improve the efficiency and productivity of the crushing circuit.

In addition to improving stacking efficiency, the new leach pad configuration will enable the establishment of a more effective irrigation sequence as the design allows for irrigation to follow the ore stacker more closely, without production delays.

The Company continues to assess the capabilities of the crushing circuit with a view to increasing production rates. The Quad Rolls crusher, which was originally seen as a limiting factor, is now operating at a consistent 160tph versus a design rate of 140tph. Consequently, Alcyone is now investigating the potential to upgrade the secondary crusher circuit in a cost effective manner, in order to match the increased capacity of the Quad Rolls crusher.

#### 1.1.3 Mt Gunyan

Work continued during the Quarter on the preliminary Feasibility Study for development of the Mt Gunyan deposit, located 4km east of Twin Hills. Testing is underway on samples from the existing core that were despatched late in the March Quarter.

As outlined previously, this work will take several months before any results are available.

Remodelling of the Mt Gunyan Resource is continuing. The resource update is in the final stages of the review process and is anticipated to be ready for release early in the current Quarter.

Environmental related studies for Mt Gunyan have also commenced, including flora and fauna together with reviews of all relevant databases. This work will be followed up by field inspections during the coming months. The development of Mt Gunyan will pave the way for the long-term growth of the Texas Silver Operations.

## 2.0 RESOURCE & RESERVE UPDATE

Alcyone is working to complete a re-assessment of the Twin Hills Ore Reserve and update the Mount Gunyan Mineral Resource estimates.

At the end of the Quarter this work was nearing completion, and the Company expects to announce the revised Reserve and Resource details early in the current Quarter.

## 3.0 EXPLORATION

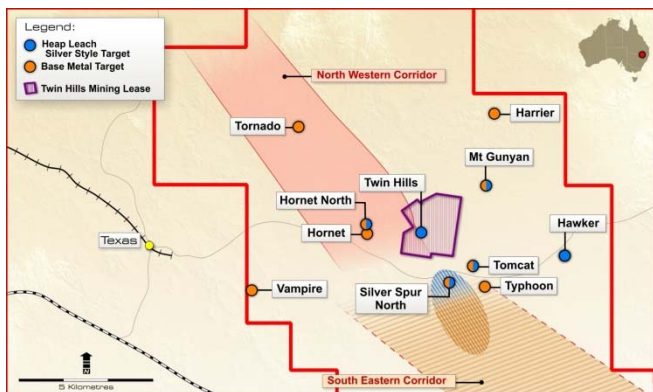


Figure 2: Texas Project Location Plan

Exploration during the Quarter focused on the emerging Silver Spur and the new Vampire areas. The field programme has been hampered by unseasonal rain, which delayed the drilling by approximately two months and impacted the scheduling of drill rigs for follow-up drill programmes.

Silver Spur is located 2km south-east of Twin Hills, where new drilling results have further extended a recently discovered zone of near-surface silver mineralisation to the north of the historic mine and geophysics has identified several new exploration targets. The encouraging results received to date also highlight the substantial exploration upside within the Texas Project for additional sources of potentially heap leachable silver mineralisation outside of the known resource inventory at Twin Hills and Mt Gunyan.

Vampire is located 5km west of Twin Hills and potential for Cu mineralisation based on surface information.

Subsequent to the end of the quarter RC drilling has recommenced at the Hornet Cu prospect located 2Km west of Twin Hills.

### 3.1 Acquisition of 900 sq km tenement package from Navaho Gold Limited

During the Quarter, Alcyone more than quadrupled its landholding in its core Texas Project area in south-east Queensland through the acquisition of a 900 sq km tenement package adjacent to the Texas Project.

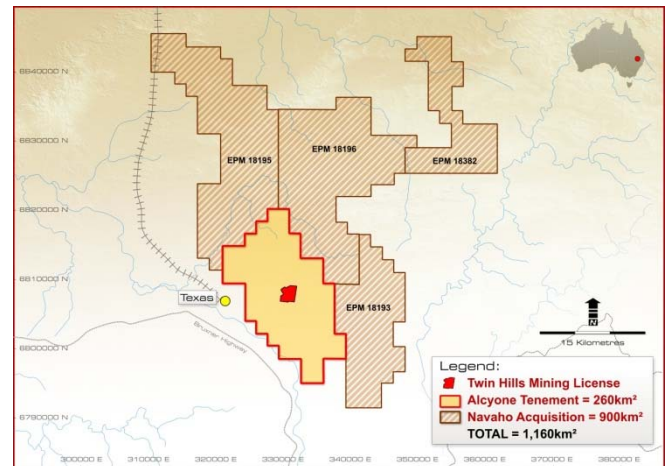


Figure 3: New tenements acquired from Navaho Gold Ltd

The tenements were acquired from Navaho Gold Limited (ASX: NVG) following completion of commercial and technical due diligence for a total consideration of A\$50,000 in cash and one million Alcyone shares,

The cash consideration will be paid in two tranches, with the first tranche of A\$25,000 paid post completion of the Due Diligence process in July, and the second tranche to be paid upon transfer of the tenements.

The Alcyone shares will be issued to Navaho Gold, after transfer of the tenements is completed. These shares will fall within the Company's 15 per cent annual placement capacity

The new tenements cover ground to the north and east of the Texas Project (see Figure 3) in areas where Alcyone's regional geological and structural models indicate strong potential for both silver and base metals mineralisation. The acquisition provides Alcyone with more than 1,100 sq km of prospective ground under its control.

Alcyone intends to commence exploration activities as soon as it can gain access to the ground, including conducting geophysical surveys and reconnaissance drilling to identify targets. The acquisition of this ground provides Alcyone with an extremely strong pipeline of long-term exploration opportunities and targets within economic trucking distance of its heap leach processing infrastructure at Twin Hills.

### 3.2 Silver Spur North

During the Quarter, Alcyone re-commenced RAB drilling to both in-fill and test strike extensions of the high-grade silver mineralisation intersected previously at the emerging Silver Spur area, located 2km south-east of Twin Hills.

In the Quarter 16 holes were completed totalling 1117m, the collar details of the holes are in Appendix 2.

Drilling was impacted by the unseasonal wet weather and was not completed until the end of the Quarter. Sulphides were seen in most holes with assay results expected in the current Quarter. Based on the drill hole logging, work has already commenced on planning an RC drill programme for later this year.

The Silver Spur deposit was mined in the early 1900s and delivered approximately 100,000t at 800g/t Ag, 25% Zn and 13% Pb. Extensive silver mineralisation has now been confirmed within a series of sub-parallel zones at Silver Spur North, and RC drilling is now planned for the September Quarter to explore continuity and depth extensions of the prospect.

Previous results received from drilling completed at Silver Spur to date have confirmed the continuity of the mineralised zones at Silver Spur North, enabling Alcyone to establish an initial Exploration Target\*\* for this prospect of 0.25-0.5Mt grading 40-80g/t Ag, using a 10g/t Ag boundary for the mineralisation envelope.

\*\* It should be noted that this Exploration Target is conceptual in nature and there has been insufficient exploration drilling to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource.

### 3.3 Hornet

RC drilling is currently underway to in-fill and extend previously identified mineralisation at the Hornet copper-rich base metals prospect, located 2km west of Twin Hills.

This next phase of drilling is designed to establish the basis for delivery an initial JORC resource estimate.

Three holes have so far been completed with pyrite and chalcopyrite visible in all holes in the target zones for mineralisation. While assay results are still awaited, the presence of the chalcopyrite has justified the planning of holes to check for further southern and down-dip extensions to the mineralised zone.

Collar details of the three holes is provided in Appendix 2.

### 3.4 Vampire

Following the completion of drilling at Silver Spur North, the RAB rig moved straight onto drilling the first holes in the Vampire target. Vampire has been identified by a copper-in-soils anomaly with associated strong silica-iron signature which potentially indicates proximity to copper-rich massive sulphides.

Alcyone has been keen to test this prospect as it is the first of this style of mineralisation that has been targeted in the Texas Project area. If drilling produces encouraging results there are two other targets with similar signatures to be tested.

Progress has been slow to date due the wet ground conditions with three holes completed so far, from a 19-hole programme. Appendix 2 has details of the collars of these holes. There is evidence of sulphides but no assays have so far been received.

## 4.0 CORPORATE

The Texas Mining Operations were cost neutral for the Quarter compared with a gross operating margin of ~\$1.4 million for the March Quarter. This reflects the build-up of the leachable silver inventory and delayed production from the new leach pads outlined above.

The Company also made its second repayment of \$750,000 on its silver pre-pay loan and repaid the \$1.25 million cash advance made by Seaspin, a Company associated with the Chairman. The Company's cash position of \$2.12 million at the end of the Quarter reflects these payments and the continuing ramp-up stage of production. The Company will continue to carefully manage its cash position until commercial production is established. This is expected to occur during the September Quarter with the operations expected to become cash positive once steady-state commercial production is achieved.

### 4.1 Completion of capital raising

During the Quarter, the Company completed a A\$5.1 million capital raising, comprising a \$3.5 million share placement and a \$1.6 million Share Purchase Plan. The share placement comprised the issue of 72,916,667 shares at an issue price of 4.8 cents per share, plus one free attaching option for each two new shares issued, exercisable at 6 cents per share and expiring on 14 May 2015, to raise a total of \$3.5 million.

A number of international institutions and high net worth investors, several of whom were existing shareholders of long standing, participated in the share placement. This included Alcyone's Chairman, Mr Charles Morgan, who

applied for \$500,000 in the placement, reflecting his confidence in the future of the Company.

In addition, Alcyone also completed a Share Purchase Plan (SPP) which raised a total of **\$1.618 million** following a strong response from its shareholders. Under the SPP, eligible shareholders were offered the opportunity to subscribe for up to \$15,000 worth of fully paid ordinary Alcyone shares at an issue price of 4.8 cents per share. In addition, the Company will separately offer, by way of a prospectus, one free attaching option for two new shares issued, exercisable at 6 cents per share and expiring on 14 May 2015. The proceeds of the capital raising will be used for the following purposes:

- to bring forward the commissioning of LP4, enabling Alcyone to accelerate the ramp-up of production at the Twin Hills heap leach silver mine – the first layer of ore has been placed on LP3 and civils for LP4 are already starting (see details above); and
- to fund connection to the State electricity grid in South East Queensland, which will reduce operating costs at the Texas Project. Alcyone estimates that the capital outlay for this initiative will be repaid within approximately 12 months; and
- to expand and accelerate exploration activities at the Texas Project, including drilling of recent near-mine discoveries and targets such as the exciting new Silver Spur North silver discovery and Hornet copper prospect, and to fund broader regional exploration activities within the newly acquired adjacent tenements – RAB drilling has already started (see details above).

## About Alcyone

*Alcyone Resources (ASX Ticker: AYN) re commenced operations in July 2011 at its Texas Silver & Polymetallic Project in south-east Queensland, and is currently ramping up to an initial annualised production level of 1.2 – 1.5Moz per annum. Alcyone has embarked on an exciting new growth phase with aggressive exploration programs underway aiming to establish a 7-10 year mine life and targeting new silver and base metal discoveries within its 1100 sq km tenement holding.*

*The Texas Silver & Polymetallic Project includes the Twin Hills Silver Mine and a portfolio of advanced silver and polymetallic base metal exploration targets. Alcyone has moved rapidly from acquisition of the Project in November 2009, through re-assessment and feasibility and into production.*

*The Company has upgraded the existing 1Mtpa Twin Hills processing plant, including the installation of new crushing circuit and a commercial-scale Merrill Crowe silver recovery circuit, which has been successfully commissioned and is now operating at design processing capacity.*

*Alcyone is on track to achieve steady-state commercial production by Q4 2012.*

## Forward-Looking Statement

*Certain statements made during or in connection with this communication, including, without limitation, those concerning exploration targets, contain or comprise certain forward-looking statements regarding Alcyone's exploration operations, economic performance and financial condition. Although Alcyone believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of, among other factors, changes in economic and market conditions, success of business and operating initiatives, changes in the regulatory environment and other government actions, fluctuations in metals prices and exchange rates and business and operational risk management. Alcyone undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events.*

Following completion of the capital raising, Alcyone has 1.443 million shares on issue.

## 4.2 Hedging & Pre-Paid Facility with Credit Suisse

A total of 121,704 ounces of silver were delivered into the Company's hedging and pre-paid facility during the Quarter through physical delivery and financial close-out. The Company's current forward silver sales and pre-paid commitment is 308,260 ounces at an average price of \$33.84 per ounce.

## 5.0 OUTLOOK

During the September Quarter, Alcyone's core focus will remain on completing the production ramp-up at the Twin Hills mining operation to achieve commercial operations in Quarter 3 and steady-state operations during Q4 2012.

Other key activities for the current Quarter will include:

- Revising the Ore Reserve estimate for the Twin Hills deposit and the Mineral Resource review for the Mt Gunyan; and
- Progressing exploration initiatives across the Company's 260 sq km Texas Silver & Polymetallic Project – particularly the emerging Silver Spur area.

**Andrew King**  
Managing Director  
31 July 2012

## Competent Person Statement

*The information in this report that relates to data used for and the resultant Mineral Resources and Exploration Targets for the Texas Silver project is based on information compiled by Mr Peter Ball who is a Member of the Australasian Institute of Mining and Metallurgy and Director of DataGeo a mining and exploration consultancy.*

*Mr Ball has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a "Competent Person" as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves".*

*Mr Ball consents to the inclusion in this Report of the information compiled in the form and context in which they appear.*

*The information in this Report that relates to Exploration is based on information also compiled by Mr Ball.*

*The information in this report that relates to data used for and the resultant Ore Reserve for the Texas Silver project is based on information compiled by Mr Bill Frazer who is a Member of the Australasian Institute of Mining and Metallurgy and Director of Mining One Pty Ltd a mining and geotechnical consultancy.*

*Mr Frazer is a mining engineer with over 30 years experience in underground and open pit environments and has sufficient experience which is relevant to this type of mineral deposit and mining methodology to qualify as a "Competent Person" as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves".*

*Mr Frazer consents to the inclusion in this Report of the information compiled in the form and context in which they appear.*

## APPENDIX 1: MINERAL RESOURCE ESTIMATION

Table 1: Twin Hills Mineral Resource Estimate, reported to Feb 2012 mining surface and above a 26.5g/t Ag cut-off

Classification	Tonnes	Grade (g/t Ag)	Contained Silver (Moz)
Measured	2,278,000	81.3	5.960
Indicated	6,267,000	43.9	8.865
Inferred	931,000	52.6	1.575
<b>TOTAL</b>	<b>9,476,000</b>	<b>53.8</b>	<b>16.400</b>

The mineral resource update has been estimated by Alcyone Resources Ltd using the same techniques as adopted for the Feb 2010 estimate, these being:

- the drill hole dataset composited within the mineralisation constraints to 2m down hole
- a combined geology/mineralisation/structural model developed by Shear Exploration Pty Ltd from re-logging existing diamond core and reinterpretation of the percussion drill logs
- Ag grade continuity statistics (as generated for the previous estimate by Cube Consulting but updated for the additional drilling and changed constraints) which highlighted search orientations and ranges for two major domains within the deposit
- Ag grade estimated using ordinary kriging with appropriate top-cuts applied to the input data
- A reporting cut-off selected (26.5g/t Ag) to reflect current economic criteria relating to "ore reserve" definition.

The techniques adopted and the reporting comply with the 2004 JORC code for reporting mineral resource estimates.

Table 2: Twin Hills Ore Reserve Estimate ( 2010)

Silver Price	Reserve Classification	Tonnes (Mt)	Silver Grade (g/t)	Recovered Silver (Moz)	Strip Ratio Waste : Ore
A\$19.85/oz	Proven and Probable	2.325	81	4.125	2.17 : 1
A\$25.00/oz	Proven and Probable	4.016	64	5.637	1.65 : 1

Table 2: Mt Gunyan In Situ Mineral Resource ( 2010)

Category	Tonnes	Ag g/t	Au g/t
Measured	242,000	69	0.16
Indicated	1,777,000	69	0.08
<b>Sub-total</b>	<b>2,018,000</b>	<b>69</b>	<b>0.09</b>
Inferred	329,000	69	0.05
<b>Total</b>	<b>2,347,000</b>	<b>69</b>	<b>0.08</b>

Tonnes and grade have been rounded to the nearest 1000 for tonnes and whole units for Ag. Cut-off grade of 40g/t Ag. The mineral resource has been estimated based on:

- Mineralisation determined by a combination of geology, structure and a nominal Ag boundary of 40g/t.
- The mineralisation occurs in two separate geographic Domains
- Validated drill hole data set composited within the mineralisation interpretation to 2m down hole
- Grade continuity statistics and geo-statistical assessment utilised to determine search orientation and distance by Domain
- Ag and Au grade estimated separately by inverse distance methods with restrictions on higher grades applied



## Appendix 2

## Silver Spur North Prospect – Collar Details

Hole_ID	Northing	Easting	RL	Azi_Mag	Dip	T Depth
SSRB026	6806152	331597	389	80	-60	96
SSRB027	6806108	331595	382	80	-60	29
SSRB028	6806129	331648	378	260	-60	24
SSRB029	6806090	331630	381	260	-60	60
SSRB030	6806027	331752	371	260	-60	75
SSRB031	6806047	331753	376	260	-60	81
SSRB032	6806049	331713	381	260°	-60°	68
SSRB033	6806055	331715	382	080°	-60°	64
SSRB034	6806049	331763	381	260°	-60°	86
SSRB035	6806068	331753	381	260°	-60°	66
SSRB036	6806088	331737	382	260°	-60°	84.5
SSRB037	6806086	331718	382	260°	-60°	57
SSRB038	6806070	331669	382	260°	-60°	84
SSRB039	6806062	331641	383	260°	-60°	90
SSRB040	6806066	331621	380	-260°	-75°	69
SSRB041	6806105	331665	376	-260°	-60°	84

## Hornet Prospect – Collar Details

Hole_ID	Northing	Easting	RL	Azi_Mag	Dip	Tdepth
HORC004	328580	6807922	409	260°	-60°	186
HORC005	328590	6807907	405	260°	-60°	200
HORC006	328548	6807902	411	260°	-78°	200

## Vampire Prospect – Collar Details

Hole_ID	Northing	Easting	RL	Azi_Mag	Dip	Tdepth
VMP001	6807105	325346	482	260°	-60°	78
VMP002	6807099	325400	482	260°	-60°	80
VMP003	6807047	325275	461	260°	-60°	51

In the Tables the collar coordinates are referenced to GDA94; the RL to AHD and measured using a GPS to an accuracy of +/-4m.

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

Alcyone Resources Ltd

ABN

53 056 776 180

Quarter ended ("current quarter")

June 2012

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date ( 12 months) \$A'000
1.1 Receipts from product sales and related debtors (net of silver loan repayments)	4,591	20,589
1.2 Payments for (a) exploration & evaluation	(324)	(2,057)
(b) development	-	(12,775)
(c) production	(6,036)	(9,864)
(d) administration	(650)	(2,798)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	33	179
1.5 Interest and other costs of finance paid	(2)	(9)
1.6 Income taxes paid	-	-
1.7 Other – creditors trust paid	-	(600)
<b>Net Operating Cash Flows</b>	<b>(2,388)</b>	<b>(7,335)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(386)	(966)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other – Environmental & security deposits	-	-
<b>Net investing cash flows</b>	<b>(386)</b>	<b>(966)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(2,774)</b>	<b>(8,301)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(2,774)	(8,301)
1.14	<b>Cash flows related to financing activities</b>		
	Proceeds from issues of shares, options, etc.	4,304	4,387
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	500	4,250
1.17	Repayment of borrowings	(1,250)	(1,251)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	<b>Net financing cash flows</b>	<b>3,554</b>	<b>7,386</b>
	<b>Net increase (decrease) in cash held</b>	<b>780</b>	<b>(915)</b>
1.20	Cash at beginning of quarter/year to date	1,341	3,036
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>2,121</b>	<b>2,121</b>

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	120
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	
	Directors Fees, remuneration of Directors and financing fees	

**Non-cash financing and investing activities**

2.1	Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows
	25,692oz of silver was delivered at a value of \$750,000 being second tranche repayment of the company's silver prepay commitment.
2.2	Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

+ See chapter 19 for defined terms.

### Financing facilities available

*Add notes as necessary for an understanding of the position.*

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	(761)
4.2	Development	(740)
4.3	Production <sup>(i)</sup>	1,025
4.4	Administration	(625)
	<b>Total</b>	<b>(1,101)</b>

(i) *Note production represents forecast net proceeds from operations*

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	2,121	1,341
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	<b>Total: cash at end of quarter (item 1.22)</b>	<b>2,121</b>	<b>1,341</b>

*Subsequent to the end of the quarter the company has raised a further \$650,000 in Capital via share placement and exercise of options.*

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+ See chapter 19 for defined terms.

### Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed		No changes		
6.2	Interests in mining tenements acquired or increased		No changes		

### Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	<b>Preference + securities</b> (description)	-	-		
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	- -	- -		
7.3	<b>+Ordinary securities</b>	1,421,607,960	1,421,607,960		Fully paid
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	1,000,000 96,208,139 -	1,000,000 96,208,139 -	\$0.01 \$0.048	\$0.01 \$0.048
7.5	<b>+Convertible debt securities</b> (description)	-	-		

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+ See chapter 19 for defined terms.

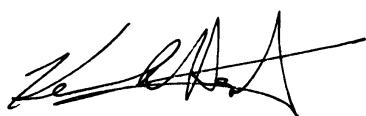
**Appendix 5B**  
**Mining exploration entity quarterly report**

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	- -	- -		
7.7	<b>Options</b> (description and conversion factor)			<i>Exercise price</i>	<i>Expiry date</i>
		61,166,667	-	1 cent each	30 Sep 2012
		250,000	-	\$9.60 each	09 Nov 2012
		1,000,000	-	11 cents each	31 Mar 2015
		1,000,000	-	11 cents each	31 Aug 2015
		5,000,000	-	15 cents each	29 Nov 2015
		500,000	-	12 cents each	29 Nov 2015
		31,250,004	-	6 cents each	14 May 2015
7.8	Issued during quarter	31,250,004	-	6 cents each	14 May 2015
7.9	Exercised during quarter	1,000,000	-	1 cent each	30 Sep 2012
7.10	Expired during quarter	-	-		
7.11	Debentures (totals only)	-	-		
7.12	Unsecured notes (totals only)	-	-		
7.13	Performance Share Rights (description and vesting dates)			<i>Vesting Date</i>	<i>Expiry Date</i>
	- 30 Nov	166,666	-	29 Nov 2012	29 Nov 2015
	- 30 Nov	166,666	-	29 Nov 2013	29 Nov 2015
	- 30 Nov	166,667	-	29 Nov 2014	29 Nov 2015
7.14	Issued during quarter	-	-		
7.15	Exercised during quarter	-	-		
7.16	Expired during quarter	-	-		

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does ~~does not~~\* (*delete one*) give a true and fair view of the matters disclosed.



Sign here: ..... Date: 31 July 2012  
(~~Director~~/Company secretary)

Print name: Kevin Hart.....

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** - The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.