ALCYONE RESOURCES

ANNUAL REPORT 2012

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RESOURCES LTD

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Non-Executive Chairman

Andrew King
Managing Director

Andrew Richards
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Mr Ian McCubbing
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Kevin Hart

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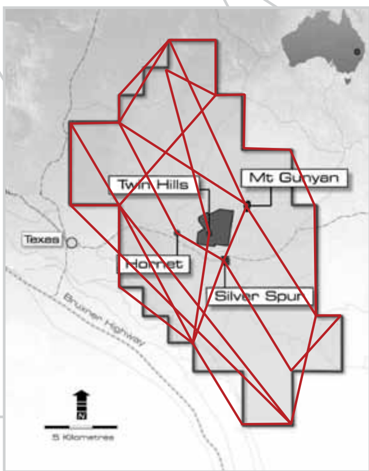

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CHAIRMAN'S LETTER

Alcyone has achieved a a number of significant milestones in the 2012 financial year. These include pouring of the first silver bullion from the re-irrigation of the historical heaps, the commissioning of the new processing facility, recommencement of mining operations, a significant increase in the resource base at Twin Hills and exploration success particularly at Hornet.

The re-irrigation of the historical heaps has delivered significantly more silver, with over 300,000 ozs extracted compared to the anticipated 250,000oz. The re-irrigation has strongly underpinned the ramp up of the new processing facility which was commissioned in September 2011. The ramp up to steady state commercial production rates has taken longer than originally expected, but the construction of Leach Pad 3 in the June Quarter saw a significant increase in material under irrigation leading to a boost in the current quarter's production. Leach Pad 4 has also now been completed.

By June 30 this year over 640,000 ozs of silver had been produced and the September quarter's production of approximately 230,000 ozs sees us closing in on our first 1 million ozs. The Company is now in a position where it anticipates achieving steady state commercial production in the December 2012 quarter.

The amount of recoverable silver under irrigation is continuing to climb steadily. Since December 2011 it has risen from approximately 200,000 oz to approximately 625,000 oz at the end of September 2012. This is a key to building the necessary production profile to deliver our targeted 1.2M to 1.4M oz of silver per annum.

The completion of Leach Pad 4 in the September Quarter has provided an additional 70,000 square metres of available surface area to further increase the leachable silver inventory. Crushed material is already being placed on the new pad with silver production expected to commence shortly. When combined with the other Leach Pads there is enough capacity to stockpile the next 18 months production. It has also established the basis of the long term stacking sequence for the balance of mine life production.

The significant Resource increases at Twin Hills (plus 69%, March 2012) and the just announced Mt Gunyan (plus 35%) have resulted in Alcyone having over 23 million ounces available to be assessed for mine development opportunities. The mine planning study recently completed and announced in October has seen a 30% recoverable ounce increase in the Twin Hills Reserve to 6.6Million ounces with the Mt Gunyan Scoping Study demonstrating the potential to deliver up to a further 2.6 Million recoverable ounces of silver.

With over five years additional mine life available from Twin Hills alone, the Mt Gunyan results indicate that the Company is well positioned to increase its mine life to between 7 and 8 years from these two resources alone. Additionally we have targets at Mt Gunyan South East and South West and other high priority targets on the leases, such as Silver Spur, to investigate. We therefore remain confident in achieving our target of delivering an operational mine life of over 10 years at Texas.

While there has been an exploration focus on expanding the silver resources at Texas, considerable success has been achieved on the base metals front. The continued positive copper results from Hornet, coupled with the success of geophysics are highlighting the potential for Alcyone to establish a series of base metal resource opportunities. These could form the basis for the construction of a process plant to deliver additional cash flow from base metals.

The year also saw the acquisition of a further 900 square kilometres of strategic tenements adjacent to those the Company already holds in the Texas area. This new ground complements the original tenements and has significant prospectivity for Silver, Gold and base metals. The Company's geological team led by Peter Ball and Essam Wahdan, Regional Exploration Manager using the Alcyone geological model of the region, are formulating an integrated strategy for exploring the overall package of ground. Peter and Essam have been the key drivers behind the development of the geological model of the area which has resulted in expansion of the Resource base at Texas and the identification and establishment of the new mineralisation at Hornet and Silver Spur.

This overall progress has been achieved in a very volatile world economic climate. The Australian dollar silver price has remained relatively robust during the period albeit seeing some significant swings from a high point of A$ 41 to a low point of A$26. With long term production costs, at steady state operation, anticipated to be between A$15 and A$17 per oz, as per the feasibility study, we believe that the company is well positioned to deliver significant cash flow over the coming years.

Alcyone considers the use of hedging as a financial risk management tool to underpin the overall economic wellbeing of the organisation, while at the same time ensuring that the company remains well leveraged to any upward trends in silver pricing. To this end, your company has a policy of hedging up to 50% of its production for a maximum period of 12 months in advance. As at 30th September Alcyone has approximately 30% of its forecast production for the next 12 months hedged at an average of ~A$29 per oz.

During the year the Company undertook a capital raising by way of a placement and general rights issue at 4.8cents per share, to raise a total of $5.1M. The funds have been used to complete Leach Pad 4, bring forward work for the installation of the grid power and accelerate exploration. We wish to thank the new investors who joined the register by way of the placement and to existing shareholders who showed a high level of support for the Rights issue.

As a reflection of the growth of the Company, during the year we welcomed Mr Ian McCubbing to the Board. Ian has brought with him a considerable depth of experience in the areas of Financial Management and Corporate Development. His experience will be invaluable as we move into the next phase of company growth.

On behalf of the Board, I want to take the opportunity to recognise the efforts of all personnel and in particular Managing Director Andrew King for his hard work, and the site operational team lead by Operations Manager, Mike Reed. They have worked tirelessly throughout the year on the ramp up of the processing facility establishing a solid operational base for the future growth of the Company. We look forward to sharing in their success in this current financial year as the Company achieves its target production rates.

I would also like to thank my fellow Board members, Andrew Richards and lately Ian McCubbing for their contribution during the last 12 months together with Company Secretary Kevin Hart and CFO, Trevor Harris.

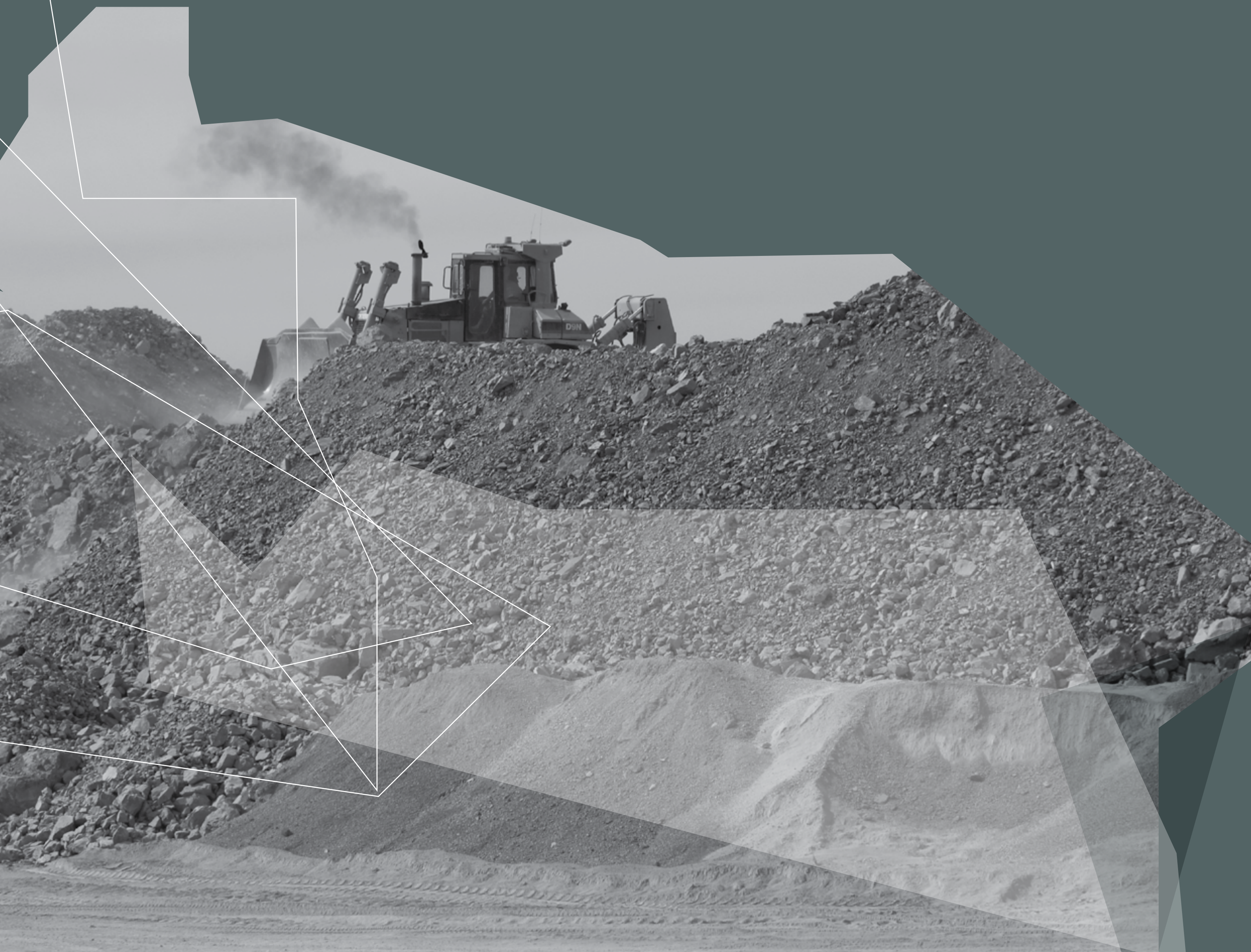
As a Board and a Company we recognise the ongoing support of our stakeholders, in particular, the community of Texas and the shareholders. I look forward to working with the Alcyone team as we take the Company forward and capitalise on the opportunities we have before us to deliver increasing levels of return to all our stakeholders.

Yours faithfully

Charles W. Morgan.

Charles W Morgan
Chairman

BY JUNE 30 THIS YEAR OVER 640,000 OZ OF SILVER HAD BEEN PRODUCED AND THE SEPTEMBER QUARTERS' PRODUCTION OF APPROXIMATELY 230,000 OZ SEES US CLOSING IN ON OUR FIRST 1 MILLION OZ OF SILVER PRODUCTION SINCE THE RESTART OF OPERATIONS



REVIEW OF OPERATIONS

The 2011/12 financial year has been a defining year in the development of Alcyone Resources Limited with the progression from developer to producer at the Twin Hills Mine, Texas Queensland. In addition the Twin Hills resource was expanded by 69% in March 2012 and Mt Gunyan by 35% subsequent to the end of the fiscal year, The Company now has a total resource base of over 23million ozs of silver which coupled with the recent announcement of a new reserve of 6.6million oz of recoverable silver at Twin Hills has established a solid base for the growth of the Company.

The Company is currently well on the way to achieving steady state commercial production rates during the December Quarter of 2012 which should then see the establishment of a solid cash flow to enable the Company to further accelerate its exploration activities and consider other opportunities for development of the company operational base.

TWIN HILLS

CONSTRUCTION & COMMISSIONING

The redevelopment of the crushing and silver recovery circuits was completed in the first half of the fiscal year and was a major milestone for the Group.

Commissioning of the new crushing circuit began in August 2011 using material from existing ore stockpiles. Initial stages of the commissioning process confirmed the capability of the Quad Rolls crusher to deliver a micro fractured, sub 4mm product to the leach pads which was a key parameter to improve the overall leaching performance. The subsequent leaching rate improvement compared to that indicated by the earlier operations validated the company's decision to implement the Quad Rolls crusher, a first for Australian mining practices.

The new furnace was commissioned in July 2011 treating product from the pilot scale Merrill Crowe plant, producing the first bullion on site at Twin Hills. The Merrill Crowe circuit was subsequently commissioned during August 2011 establishing the basis for Alcyone to produce silver bullion on site at commercial rates.

PRODUCTION

Mining operations recommenced on a small scale in October 2011, with the focus being on ore production as required to supplement the crusher feed from the existing ore stockpiles. Mining continued to ramp up over the balance of the fiscal year as higher grade ore stocks depleted. Mined ore tonnes for the year was approximately 566,000 tonnes at an average grade of 82g/t Ag. At the time of preparing this report the mine is now at full scale operation with capacity to deliver over one million tonnes per annum of ore supply to the processing facility.

The upgraded processing circuit has continued to perform well, with single shift rates up to 180t/hr, or 28% above the design capacity of 140tph. Plant availability increased steadily thoughtout the year as commissioning issues were addressed, processing 531,700t of ore onto the leach pads for the year at an average grade of 86g/t Ag. Subsequent to the end of the year the Company is now looking at the ability to increase overall capacity of the circuit and fully utilise the Quad Rolls.

Silver production during the year came from both the re-irrigation of the historical heaps and the leaching of new material. The original heaps were expected to deliver approximately 250,000 ounces of silver but it has been estimated that they have so far produced in excess of 300,000 ounces and are still leaching slowly where they form the base for the new leach pad 3.

The new Merrill Crowe circuit and associated furnace has seen the establishment of commercial bullion production at Twin Hills. The circuit has met and exceeded the design capacity of 200 cubic metres per hour and has delivered silver production for the year of approximately 630,000 ounces.

Leach pad recoverable silver inventory increased from approximately 200,000 ounces to 540,000 ounces over the year and at the end of the September quarter the inventory had increased further to approximately 625,000 ounces. This is an excellent result given the record production of approximately 230,000 ounces of Silver for the Quarter. The increase in leachable silver inventory is a key to establishing steady state commercial production rates which the Company considers it will achieve in the December 2012 quarter. This has also established a solid basis for silver production during the 2013 fiscal year.

Since the end of the financial year further developments on site, particularly the completion of Leach Pad 4, have provided the basis for achievement of steady state operations in FY 2013 and setting up the leach pad construction sequence for the future years.

Figure 1. Current Leach Pad Configuration

MINERAL RESOURCE AND ORE RESERVE

TWIN HILLS

In the March 2012 Quarter, the Group reported a substantial increase in the Mineral Resource estimate for the Twin Hills deposit, which is the current source of ore feed for the Twin Hills operation.

The new Mineral Resource represented a 69% increase in contained silver over the previous estimate (3.684Mt grading 82g/t Ag for 9.7 million ounces) reported to the February 2012 mining surface.

This revised Mineral Resource depleted for mining to the end of July 2012 and using a cut-off grade of 26.5g/t Ag, is summarised below:

Classification	Tonnes	Grade (g/t Ag)	Contained Silver (Moz)
Measured	2,151,000	80	5.5
Indicated	6,152,000	44	8.7
Inferred	1,045,000	51	1.7
TOTAL	**9,348,000**	**53**	**16.0**

The Group then undertook a new mining optimisation study and generated new pit designs on this updated Mineral Resource and announced on 1 October 2012 an increase to the Proved & Probable Ore Reserve to 5.5Mt @ 57g/t Ag for 6.6Moz of recoverable silver (10.2Moz Ag contained), see Table below:

Classification	Tonnes	Ag g/t	Contained Ag Moz	Recoverable Ag Moz
Proved	1,860,000	82	4.9	3.2
Probable	3,690,000	45	5.4	3.5
TOTAL	**5,550,000**	**57**	**10.2**	**6.6**

The Mineral Resource reported above is inclusive of the Ore Reserve.

This is a **30% increase in recoverable ounces** over the previous Ore Reserve estimate depleted to the end of July 2012 mining surface. The revised Ore Reserve has been calculated using a silver price of A$30 per ounce, a cut-off of 26.5g/t Ag, and is based on the current Twin Hills Mineral Resource, depleted for mining to end of July 2012, of 9.3Mt @ 53 g/t Ag for 16.4Moz.

The mining plan has been designed utilising a three-stage pit which delivers a low stripping ratio, waste to ore of 1.1 to 1, and allows maximum flexibility to meet changing economic criteria and potential ore body extensions that could be encountered over the life of the mine. It also enables a number of trials to be run on final pit wall design and potential mine de-watering to ensure that the optimum ultimate pit design and ore extraction can be achieved.

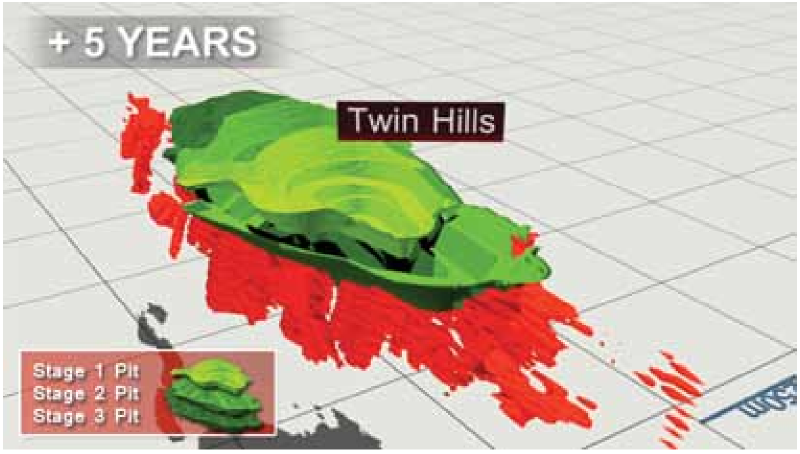


Figure 2. Staged Pit - with additional mineralisation outside stage 3.

The revised Ore Reserve underpins a mine life of approximately 6 years from the Twin Hills deposit alone, based on the targeted full annualised production rate at Twin Hills of 1.2 to 1.4Moz per annum.

MT GUNYAN

Subsequent to the end of the financial year, the Group has also updated the Mineral Resource for the Mt Gunyan Deposit, located 4km east of the Twin Hills mine, to incorporate the material surrounding the main mineralised zones.

The revised Measured, Indicated and Inferred Mineral Resource, using a cut-off grade of 30g/t Ag, comprises **3.9 million tonnes grading 55g/t Ag for 7.0 million ounces** of contained silver

Classification	Tonnes	Grade (g/t Ag)	Contained Silver (Moz)
Measured	754,000	55.6	1.3
Indicated	2,884,000	55.5	5.2
Inferred	302,000	48.2	0.5
TOTAL	**3,940,000**	**55.0**	**7.0**

This represents a 35% increase in contained silver over the previously reported estimate at May 2011.

The updated Mineral Resource incorporates additional information from drilling carried out in 2010/2011 and interpretation changes to reflect improved physical continuity at lower grades. It is reported at a lower cut-off than before to reflect a similar average grade to that at Twin Hills. The increase in contained metal is due to a combination of the lower cut-off grade together with the inclusion of material within and along strike from the previous total estimate.

This updated data also delivers an improved level of confidence in the Mineral Resource with the combined Measured and Indicated component now representing 92% of the estimate.

The preliminary economic modeling and Scoping Studies announced on 1 October 2012 included an optimisation of the Mineral Resource model, based on the same cost parameters as Twin Hills, but with an allowance for ore haulage, a 60% silver recovery and a $30/oz silver price.

The results indicate that Mt Gunyan has the potential to deliver **2.4Mt at 56g/t Ag containing 2.6Moz of recoverable silver (4.4Moz contained)**. The mineral resource contained within the study is as follows: -

			Contained	Recovered
Class	**Tonnes**	**Ag**	**Ag Moz**	**Ag Moz**
Measured	701,000	52.0	1.2	0.7
Indicated	1,676,000	58.0	3.1	1.9
Inferred	28,000	54.0	0.0	0.0
TOTAL	**2,405,000**	**57.0**	**4.4**	**2.6**

While further work is required to complete the Mount Gunyan Feasibility Study and calculate an initial Ore Reserve for this deposit, Alcyone is confident that the work completed to date provides a good indication of its potential to make a significant contribution to the Texas Project, and extend the mine life of the operation beyond six years.

OVERALL

These recent extensions to the global Mineral Resource inventory for the Texas Project increase the Company's resource base to 13.3 million tonnes grading 54g/t Ag for **23 million ounces of contained silver**.

Classification	Tonnes	Grade (g/t Ag)	Contained Silver (Moz)
Measured	2,905,000	74	6.8
Indicated	9,036,000	48	13.9
Inferred	1,347,000	50	2.2
TOTAL	**13,288,000**	**54**	**23.0**

The reporting cut-off s are 26.5g/t Ag for Twin Hills and 30g/t Ag for Mt Gunyan. The Twin Hills component of the total is reported to the end of July 2012 mining surface.

In addition to these two key deposits, Alcyone has identified several advanced exploration prospects within the 1,100km^2 tenement portfolio at Texas which have the potential to further enhance its resource inventory in the future.

EXPLORATION

ACQUISITION OF 900 SQ KM TENEMENT PACKAGE FROM NAVAHO GOLD LIMITED

During the period, 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.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 is in two tranches, with the first tranche of A$25,000 paid post completion of the Due Diligence process in July 2012, and the second tranche to be paid upon transfer of the tenements.

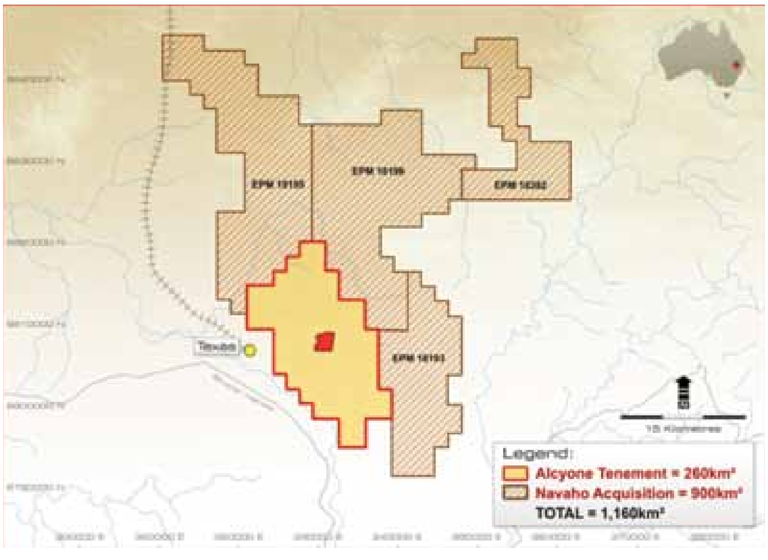


Figure 3: Newly Acquired Tenements

The Alcyone shares will be issued, after transfer of the tenements is completed, to Navaho Gold and under 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 detailed exploration activities during FY2013. This will include 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 in silver, gold and base metals together with targets within economic trucking distance of its heap leach processing infrastructure at Twin Hills.

TEXAS PROJECT

Alcyone embarked on a renewed exploration program based on a detailed review and re-modelling of all exploration data for the Texas Project that was undertaken over the previous twelve months.

This review has enabled the exploration team to firm up priority heap leach silver targets, including Mt Gunyan satellites and Hawker, as well as potential extensions of the Twin Hills deposit on the southern and eastern flanks and at depth. Active prospects are shown in Figure 4.

Reviews of the Hornet and Silver Spur base metals targets, coupled with the introduction of newly sourced historical geophysical information, have also highlighted the possibility for deeper target opportunities.

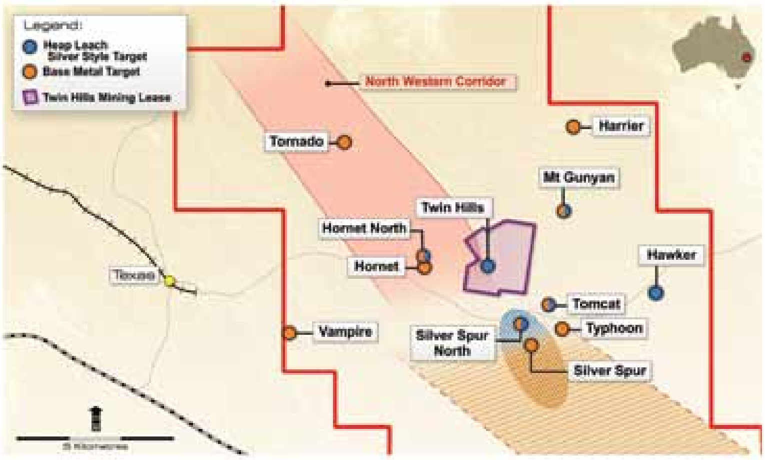


Figure 4: Texas Project Exploration Prospects

At various times during the period Alcyone utilised two drill rigs. The Company-owned Rotary Air Blast (RAB) drilling rig continued to undertake regional exploration in the vicinity of Silver Spur Deposits, within the Western Tectonic corridor and at the potential Fe-oxide hosted Cu prospect at Vampire. This rig provides a low-cost method of scout drilling to scope out potential new zones of mineralisation. Alcyone contracted a Reverse Circulation (RC) rig for drilling at the Hornet, Silver Spur and Hawker Prospects, as well as a phase of grade control drilling at the Twin Hills deposit, with the aim of firming up ore deliveries from the Twin Hills mine to the end of 2012.

Surface and down hole geophysics were undertaken on the known base metal targets and in areas suspected of containing extensions to the known base metals deposits.

SILVER SPUR DEPOSIT

RAB drilling was undertaken 200m to the north of the old Silver Spur underground mine which was mined in the early 1900's delivering approximately 100,000t at 800g/t Ag, 25% Zn, and 13% Pb.

Forty (40) holes were drilled for a total of 2,551m. Figure 5 shows the locations of holes which returned anomalous results discussed below.

During the year assay results were received for the first 24 holes with anomalous Ag results returned in many holes with SSRB007 producing outstanding results as follows:

- 26m @ 138g/t Ag (104g/t Ag with 1000g/t Ag top-cut applied) from 4m, including:
  - 3m @ 840g/t Ag (546g/t Ag top-cut) from 5m
  - 3m @ 121g/t Ag from 11m
  - 1m @ 128g/t Ag from 18m
  - 1m @ 81g/t Ag from 28m

This was based on 3m down hole composites and when subjected to 1m resampling the following confirmatory results were returned:

- 12m @ 185g/t Ag from 3m and
- 3m @ 55g/t Ag from 18m.

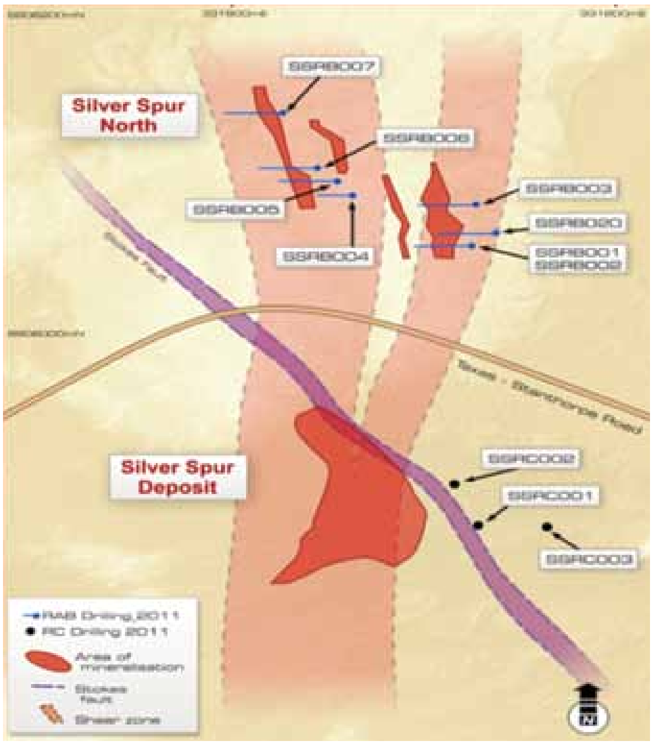


Figure 5: Silver Spur North – Hole Location Plan

This potential new zone of mineralisation could be the result of a geological event which has shifted, by way of a thrust fault, the main zone of the Silver Spur mineralisation at depth so that it now reappears near surface further to the north. It is considered that this mineralisation may sit within a broader alteration zone, however extensive work is still required to properly evaluate this new target and a staged drill programme has been developed.

Alcyone has planned RC drilling the 4th Quarter of 2012 to further explore this area.

Alcyone carried out RC drilling on the main Silver Spur Deposit in an effort to explore the position beneath and to the east of known deposit.

Near the main Silver spur Deposit three RC holes were attempted for 596m drilled; the locations are shown on Figure 5. These holes targeted down dip and eastern extensions to the main mineralisation and whilst overall the results were not as anticipated some encouragement was taken from the results and re-modelling is underway to define the next drilling requirements for this Deposit.

Two holes (SSRC001 and 002) have been cased to allow, if required, any possible re-entry using a diamond rig.

In addition, Alcyone undertook a two stage surface electro-magnetic (EM) program to the south and south–east of the current Silver Spur deposit during the December 2011 Quarter. Stage One comprised a fixed loop EM program, which was undertaken immediately south of the main Silver Spur workings.

Preliminary modelling identified a low order conductivity target approximately 10m below surface, with a north-south strike orientation dipping steeply to the east. The target, while still open to the south, has an estimated strike length of 120m and depth extent of approximately 200m. The electromagnetic response is consistent with a body having sphalerite as the dominant sulphide.

Stage Two of the EM program involved a more regional approach starting adjacent to the known Silver Spur mineralisation and extending up to a distance of 2.4km south-east. Two complete lines and one partial line of EM surveying were ultimately completed, with persistent conductive anomalism observed in several locations – see Figure 6.

Alcyone is planning surface sampling and RAB drilling in the relevant target locations Q3 and Q4 of FY 2013.

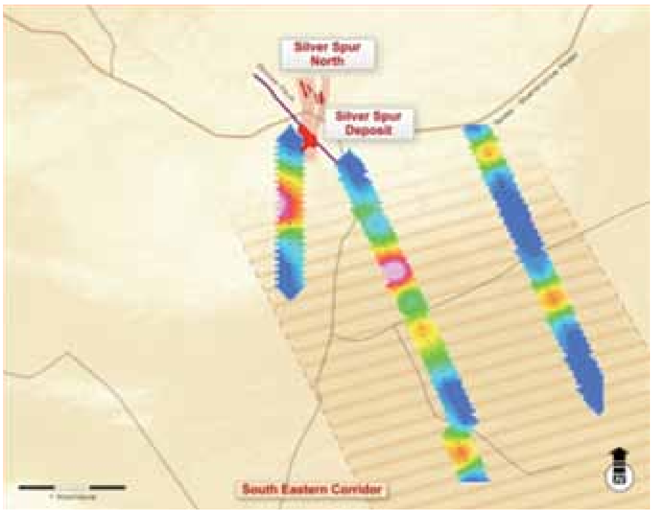


Figure 6: Surface Geophysics Results

WESTERN TECTONIC CORRIDOR (WTC)

The Western Tectonic Corridor (WTC) is a 5km long geological structure which hosts the Hornet, Falcon and Tornado targets in the western area of Alcyone's tenement holding. As previously announced, the WTC has been interpreted as a series of NNW-SSE trending shear zones intersected by north-south orientated structures, with the potential for precious and base metals mineralisation to exist along and at the intersections of these features.

HORNET PROSPECT

At the Hornet Prospect, 2km west of the Twin Hills mine, RC drilling was undertaken to follow up on encouraging copper intersections returned from a 2010 diamond drilling programme, including 0.3m @ 8.25% Cu, 0.4m @ 8.02% Cu and 0.6m @ 6.91% Cu (reported to the ASX on 2 November 2010).

The first phase of RC drilling was designed to target potential depth extensions of the mineralisation identified in 2010.

Results from the first two (of 3) holes delivered significant copper intercepts including:

- 38m @ 0.68% Cu and 7.2g/t Ag from 64m (HORC001), including:
  - 4m @ 2.37% Cu and 27.3g/t Ag
  - 1m @ 2.59% Cu and 16.2g/t Ag
- 14m @ 0.99% Cu and 8.2g/t Ag from 110m (HORC001), including:
  - 2m @ 2.26% Cu and 16.1g/t Ag
  - 1m @ 5.19% Cu and 36.8g/t Ag
- 16m @ 0.31% Cu and 4.2g/t Ag from 12m (HORC002), including:
  - 1m @ 1.16% Cu and 9.1g/t Ag
  - 1m @ 1.16% Cu and 15g/t Ag

Both completed holes (HORC001 and 002) were terminated at 264m, which was the maximum limit of the available drill string. As such Alcyone considers that it has not tested the true width or depth extent of the mineralised zones.

The Company has interpreted a true width for the high-grade copper zones of between 1 and 5 metres.

The third hole in the RC program (HORC003), collared 100m south of the two completed holes, was terminated at 60m due to drilling conditions. At this depth it had just intersected copper mineralisation. When combined with previous diamond drilling (Holes ACHOD001 – ACHOD006), this hole confirms that the altered/mineralised width is likely to be similar some 100m south of the main mineralised section.

Based on the combined results of the diamond and RC drilling completed at Hornet to date, Alcyone has defined a cluster of 4-5 steeply-dipping epithermal shoots over a strike length of 140m and extending to more than 200m down-dip. These shoots sit within an alteration zone that is over 140 metres in width.

The next phase of drilling is planned to extensively test the depth continuity of the mineralisation, explore for further shoots within the alteration zone and step out along strike. This will be undertaken with a mix of RC and diamond drilling, with special emphasis on drill rig selection to deliver deep holes and overcome the poor ground conditions in this area.

SURFACE AND DOWN HOLE GEOPHYSICS

As part of the EM geophysics program previous drilling at Hornet was reentered and the results provided evidence of proximity to sulphide mineralisation although only of a low order. Surface EM was in the general vicinity of the old Hornet workings also provided very little encouragement.

HAWKER PROSPECT

The Hawker prospect, 10 km East of Twin Hills, was first identified by regional mapping finding old unrecorded workings and further supported by anomalous Ag/Cu results in soils. It appears to fit the Alcyone structural exploration model by being at the coincidence of the dominant NW-SE trending structures with the subordinate NNE-SSW structures.

An RC drilling program of 8 holes for 558m was completed which targeted in and around old workings.

The assays returned individual 1m sample peak values of 100g/t Ag and 3.45% Cu. The results are extremely encouraging and Alcyone will plan for additional drilling in this area during the 2013 Financial year.

VAMPIRE PROSPECT

The Vampire prospect, located 5 km west of Twin Hills, 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 was slow to date due the wet ground conditions with three holes completed within the period, from a 19-hole programme. to date there is some evidence of low order sulphides but no assays have so far been received.

COMPETENT PERSON STATEMENTS

The information in this report that relates to data used for and the resultant Mineral Resources 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 data has also been compiled by Mr Peter 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 Ian Huitson who is a Fellow of the Australasian Institute of Mining and Metallurgy and Director of Mining Solutions Pty Ltd a mining and management consultancy.

Mr Huitson is a mining engineer with over 25 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 Huitson consents to the inclusion in this Report of the information compiled in the form and context in which they appear.

CORPORATE GOVERNANCE STATEMENT

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

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

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

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

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

This Statement sets out the corporate governance practices in place during the course of the financial year and as at the date of this report, which comply with the recommendations of the Corporate Governance Council unless otherwise stated.

CORPORATE GOVERNANCE COUNCIL PRINCIPLE 1

LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

ROLE OF THE BOARD OF DIRECTORS

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

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

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

BOARD PROCESSES

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

EVALUATION OF SENIOR EXECUTIVE PERFORMANCE

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

CORPORATE GOVERNANCE COUNCIL PRINCIPLE 2

STRUCTURE THE BOARD TO ADD VALUE

BOARD COMPOSITION

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

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

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

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

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

INDEPENDENT CHAIRMAN

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

The Board considers both its structure and composition are appropriate given the size of the Company and its current scale of operation. As the Company transitions to a mining entity the Board composition and number of Directors will be subject review.

ROLES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

NOMINATION COMMITTEE

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

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

EVALUATION OF BOARD PERFORMANCE

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

EDUCATION

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

INDEPENDENT PROFESSIONAL ADVICE AND ACCESS TO INFORMATION

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

CORPORATE GOVERNANCE COUNCIL PRINCIPLE 3

PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

CODE OF CONDUCT

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

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

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

DIVERSITY POLICY

The Board has implemented a Diversity policy in line with Corporate Governance guidelines. The Company believes that the promotion of diversity on it's board, in senior management and within the organisation generally is good practice and adds to the strength of the Company.

The policy affirms existing employment arrangements which seek to attract and retain people by promoting an environment where employees are treated with fairness and respect and have equal access to opportunities as they arise. Diversity within the workforce includes such factors as religion, race, ethnicity, language, gender, disability and age.

The recommendations of the Corporate Governance Council relating to reporting require a Board to set measurable objectives for achieving diversity within the organisation, and to report against them on an annual basis. The Company has implemented measurable objectives as follows:

Measurable Objective	Objective Satisfied	Comment
Adoption and promotion of a Formal Diversity Policy	Yes	The Company has adopted a formal diversity policy which has been made publicly available via the ASX and the Company's website.
To ensure Company policies are consistent with and aligned with the goals of the Diversity Policy	Yes	The Company's selection, remuneration and promotion practices are merit based and as such are consistent with the goals of the Company's Diversity Policy.
To provide flexible work and salary arrangements to accommodate family commitments, study and self-improvement goals, cultural traditions and other personal choices of current and potential employees.	Yes	The Company does, where considered reasonable, and without prejudice, accommodate requests for flexible working arrangements.
To implement clear and transparent policies governing reward and recognition practices.	Yes	The Company grants reward and promotion based on merit and responsibility as part of its annual and ongoing review processes.
To provide relevant and challenging professional development and training opportunities for all employees.	Yes	The Company seeks to continually encourage self-improvement in all employees, irrespective of seniority, ability or experience, through external and internal training courses, regular staff meetings and relevant on job mentoring.

GENDER DIVERSITY

The following table is a summary of the workforce within Alcyone and provides a high level snap shot of our level of gender diversity as at 30 June 2012.

	Male	Female	Total	Proportion female
Board	4	-	4	0%
Senior Management	2	-	2	0%
Balance of Employees	47	11	58	19%
TOTAL	**53**	**11**	**64**	**17%**

The Company has not implemented specific measurable objectives regarding the proportion of females to be employed within the organisation, nor implemented requirements for a proportion of female candidates for employment and Board positions. The Board considers that the setting of quantitative gender based measurable targets is not consistent with the merit and ability based policies currently implemented by the Company.

The Board will consider the future implementation of gender based diversity measurable objectives when more appropriate to the size and nature of the Company's operations.

SECURITY TRADING POLICY

The Board has committed to ensuring that the Company, its Directors and executives comply with their legal obligations as well as conducting their business in a transparent and ethical manner. The Board has adopted a policy on dealing in the Company's securities by Directors, officers and employees which prohibits dealing in the Company's securities when those persons possess inside information and as such complies with Recommendation 3.2 of the Corporate Governance Council. Further, in keeping with recent listing rule amendments additional restrictions are placed on trading by Relevant Persons including directors, key management personnel and employees. Relevant Persons are at all times prohibited from dealing in the company's securities unless in a trading window. The policy also provides that notification of intended trading should be given to the whole Board prior to trading. A copy of the Policy for dealing in Company Securities is available on the Company's website.

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

CORPORATE GOVERNANCE COUNCIL PRINCIPLE 4

SAFEGUARDING INTEGRITY IN FINANCIAL REPORTING

AUDIT COMMITTEE

In March 2012 the Board established an Audit Committee comprised of 3 non-executive, independent Directors. The Chairman of the Audit committee is not the Board Chairman. This complies with Recommendations 4.1 and 4.2 of the Corporate Governance Council.

The Company also has an Audit Committee Charter, which can be found on the company website.

External audit recommendations, internal control matters and any other matters arising from the half-year audit review and the annual statutory audit are discussed with the Audit Committee and the audit engagement partner prior to presentation to the full Board.

EXTERNAL AUDITORS

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

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

FINANCIAL REPORTING

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

CORPORATE GOVERNANCE COUNCIL PRINCIPLE 5

MAKE TIMELY AND BALANCED DISCLOSURE

TIMELY AND BALANCED DISCLOSURE

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

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

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

CORPORATE GOVERNANCE COUNCIL PRINCIPLE 6

RESPECT THE RIGHTS OF SHAREHOLDERS

COMMUNICATIONS

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

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

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

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

CORPORATE GOVERNANCE COUNCIL PRINCIPLE 7

RECOGNISE AND MANAGE RISK

RISK IDENTIFICATION AND MANAGEMENT

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

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

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

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

- **Business risk management**

  The Company manages its activities within budgets and operational and strategic plans.

- **Internal controls**

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

- **Financial reporting**

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

- **Operations review**

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

- **Environment and Safety**

  The Company is committed to ensuring that sound environmental management and safety practices are maintained in its operations and exploration activities.

With the transition to commercial production at the Texas Silver Project significant resources have been focused on establishing and maintaining a culture of best practice through the implementation of an Occupational Health and Safety Plan and an Environmental Management Plan. The Company uses external consultants to review its activities to assist in maintaining a best practice approach.

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

RISK REPORTING

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

The Company does not have an internal audit function.

MANAGING DIRECTOR AND CFO WRITTEN STATEMENT

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

CORPORATE GOVERNANCE COUNCIL PRINCIPLE 8

REMUNERATE FAIRLY AND RESPONSIBLY

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

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

REMUNERATION COMMITTEE

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

The full Board determines all compensation arrangements operating under the Remuneration Committee Charter, which is available on the Company's website. It is also responsible for setting performance criteria, performance monitors, share option schemes, incentive performance schemes, superannuation entitlements, retirement and termination entitlements and professional indemnity and liability insurance cover. The Board, where appropriate, accesses external remuneration reports as a means of benchmarking the Executive and Senior Management remuneration levels.

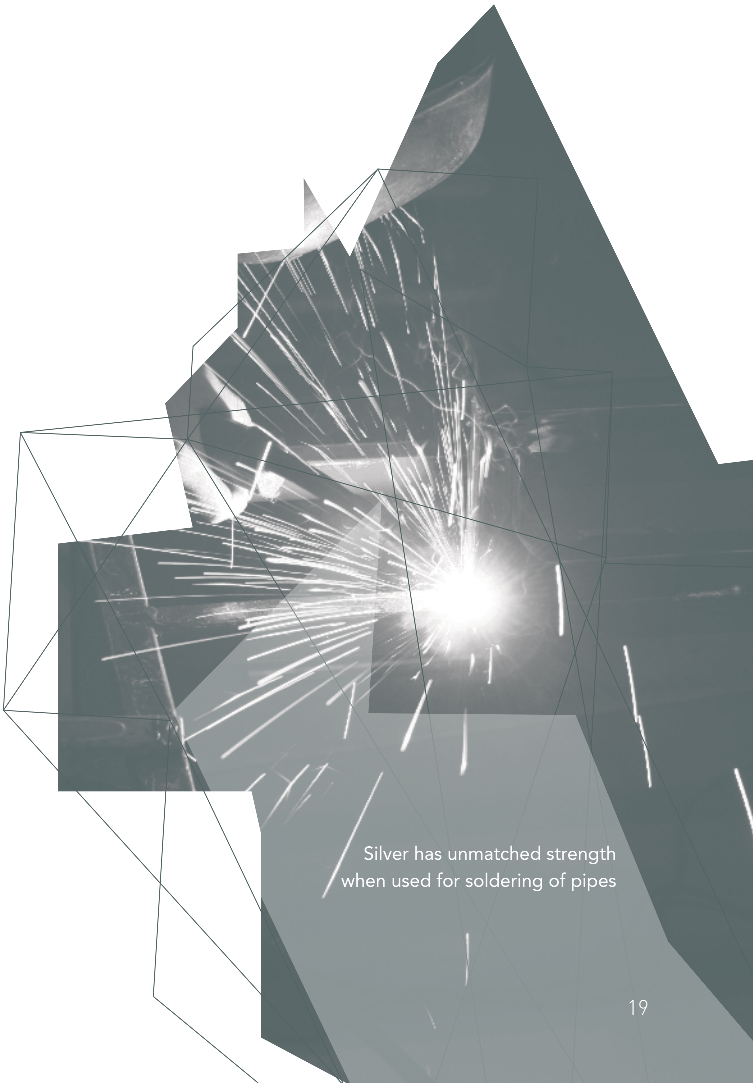
DISTINGUISH BETWEEN EXECUTIVE AND NON-EXECUTIVE REMUNERATION

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

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

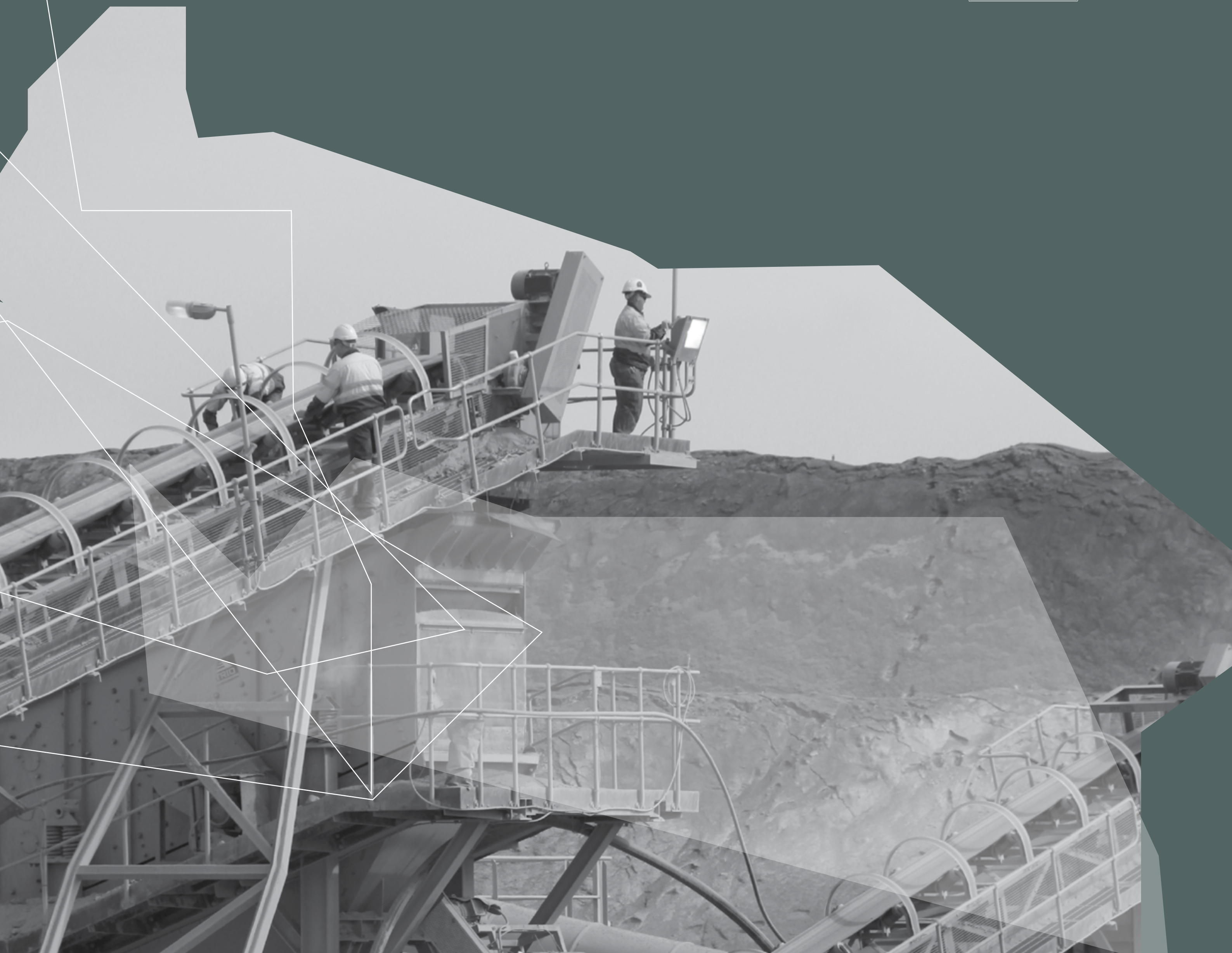
Non-Executive Directors receive fees agreed on an annual basis by the Board, within total Non-Executive remuneration limits voted upon by shareholders at Annual General Meetings. Share options and performance rights which were issued to Non-Executive Directors were subject to shareholder approval and issued with vesting conditions based upon continuity of engagement.

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



Silver has unmatched strength when used for soldering of pipes

THE RE-IRRIGATION OF THE HISTORICAL HEAPS HAS DELIVERED SIGNIFICANTLY MORE SILVER BULLION THAN THE ORIGINALLY ANTICIPATED 250,000 OZ. WITH OVER 300,000 OZ ULTIMATELY EXTRACTED, THE RE-IRRIGATION HAS STRONGLY UNDERPINNED THE RAMP UP OF THE NEW PROCESSING FACILITY POST COMMISSIONING IN SEPTEMBER 2011.



DIRECTORS' REPORT

DIRECTORS

Your Directors present their report on the consolidated entity consisting of Alcyone Resources Ltd and the entities it controlled at the end of, or during, the year ended 30 June 2012.

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

CW Morgan

AJ King

AL Richards

IJ McCubbing (Appointed 17 February 2012)

PRINCIPAL ACTIVITIES

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

RESULTS

During the financial year, the company mined 556,612 tonnes of Ore from its Twin Hills Mine, (2011:Nil) and processed 554,809 tonnes from both existing stockpiles and fresh ore.

Silver production from leaching operations was 630,062oz, with Silver Inventory of 72,299 ounces in-circuit at June 30, 2012. A further 540,000oz of Recoverable Silver remained on the leach pads at June 30, 2012, forming the basis for Silver production in early 2012/13.

Revenue from operations for the period 1 January 2012 to 30 June 2012 was $10,528,296 (2011:Nil), with costs of sales being $8,049,129 (2011: Nil), delivering a gross margin of $2,479,167 (before royalties)(2011: Nil).

The consolidated entity loss from operating activities after income tax for the full year is $3,119,744 (2011: $3,936,253).

The result of the consolidated entity was affected by the non-cash Amortisation and Depreciation of mining assets of $1,504,596 (2011: $191,834), and by the amount of $211,497 (2011: $43,021) included in Employee Benefits Expense in respect of options issued under shareholder approval at general meetings. Further significant costs were Royalties of $1,082,521(2011: Nil)

REVIEW OF OPERATIONS

The principal continuing activities of the Company are mining operations, mineral exploration and evaluation.

Full details are available in the Review of Operations in the Annual Report.

FINANCIAL POSITION

As at the end of the financial year, the Company had $2,121,068 (2011: $3,036,586) in cash on deposit. Deferred mineral development expenditure at June 30, 2012 was $3,848,313 (2011: $15,299,302), and the company's net assets were $21,123,004 (2011:$19,812,761).

DIVIDENDS

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The significant changes in the state of affairs of the Company during the financial year are as follows:

On 14 May 2012 the Company confirmed a successful placement to sophisticated and institutional investors, raising $3.5m for the issue of 72,916,667 ordinary shares at $0.048 per share plus 1 free attaching option for each 2 shares issued, exercisable at 6c per share and expiring on 14 May 2015. The total options issued under the placement were 36,458,337.

As an extension of this placement, the Company undertook a Share Placement Plan (SPP), enabling existing shareholders to subscribe for up to $15,000 in ordinary shares at 4.8c, plus 1 free attaching option for each 2 shares issued, exercisable at 6c per share and expiring on 14 May 2015. The SPP closed on 22 June 2012, raising $1.618m for the issue of 33,708,139 Ordinary Shares. The free attaching options were issued subsequent to the end of the financial year and have been detailed under Events Subsequent to the End of the Financial Year.

The significant operational changes at the Twin Hills Mine have been detailed in the Review of Operations.

The acquisition of further exploration tenements and the extension of the Company's' Resource and Reserve base have also been detailed in the Review of Operations.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The company held a General Meeting of Shareholders on 4 July 2012. Based on shareholder approval at this meeting the following securities were issued to Directors:

Director	No Of Shares	No Of Options	No Of Performance Rights
Mr Charles Morgan(i)	10,416,666	5,208,333	
Mr Ian McCubbing(ii)	-	500,000	500,000

(i) Issued under the placement announced on 7 May 2012 for the sum of $500,000

(ii) Issued as remuneration

On 11 July 2012, the Company issued a prospectus relating to the offer of up to 31,250,000 free options exercisable at $0.06c each, expiring 14 May 2015 on the basis of one (1) free Option for every 2 shares subscribed for by subscribers under the SPP or the SPP shortfall.

On the 7 August 2012, Mr Andrew King received 156,250 options @ $0.06, expiring 14 May 2015 in relation to his participation in the Share Purchase Plan announced on 26 June 2012.

On 7 September 2012, Mr Andrew King exercised 35,000,000 options @ $0.01, and sold 10,000,000 shares on-market at $0.049.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company expects to complete the ramp up of commercial Silver production in the September 2012 quarter, achieving steady state production by the December 2012 quarter.

INFORMATION ON CURRENT DIRECTORS

	Particulars of Directors' Interest		
	Ordinary Shares	Performance Rights	Options
Mr Charles Morgan (Appointed 21.08.09) **Non-Executive Chairman** **Member of the Audit Committee**	9,806,407	-	10,208,333

Directorships in the last 3 years:

- Tamaska Oil and Gas Limited – 1 August 2011 to Current
- Grand Gulf Energy Limited – 19 January 2006 to Current

Mr Morgan has extensive experience in equity capital markets and has been involved with numerous projects over a 25 year period. Most of these were in the resources/oil & gas industries and the technology sector.

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

He holds, or has previously held, the positions of Founder, Chairman, Director and/or Major Shareholder in the following companies: Alto Energy Ltd, Nido Petroleum NL, West Oil NL, Fusion Oil & Gas NL, Valdera Ltd, Nautronix Ltd, WildHorse Ltd, Matra plc, Grand Gulf Energy Limited, Latent Petroleum Pty Ltd and VectoGen Ltd.

	Particulars of Directors' Interest		
	Ordinary Shares	Performance Rights	Options
Mr Andrew King (Appointed 21.08.09) **Managing Director** AssDip Min Eng, Grad Acct & Fin Mgt, MAusImm, MAIE MAICD	61,012,500	-	156,250

Directorships in the last 3 years:

- Base Resources Limited – 28 May 2008 to Current (Chairman)

A mining engineer with over 35 years experience in the mineral resources industry, Mr King has a considerable depth of knowledge and expertise in technical disciplines as well as in the successful establishment of new companies.

Mr Kings' extensive experience covers corporate, strategic and operational roles in gold, iron ore, coal and base metals. He is a member of the Australian Institute of Mining and Metallurgy and the Australian Institute of Company Directors.

Previously, he held senior positions with Goldstar Resources NL, Tectonic Resources NL, and Mt Edon Gold Mines (Aust) Pty Ltd

INFORMATION ON CURRENT DIRECTORS (CONTINUED)

			Particulars of Directors' Interest
	Ordinary Shares	Performance Rights	Options
Mr Andrew Richards (Appointed 06.05.11) **Non-Executive Director** **Member of the Audit Committee** BSC(Hons), Dip Ed, MAusIMM, MAIG, MSEG	NIL	500,000	500,000

Directorships in the last 3 years:

Nil

Mr Richards, is a geologist with 30 years experience in the mining industry, 7 years of which involved a senior role in resources project finance with major banks.

Mr Richards has worked extensively overseas as well as in Australia, providing consultancy and advisory services, Independent Expert Reports and managing several listed and unlisted companies operating in Australia, Asia and South America.

			Particulars of Directors' Interest
	Ordinary Shares	Performance Rights	Options
Mr Ian McCubbing (Appointed 17.02.12) **Non-Executive Director** **Chairman of the Audit Committee** B.Com (Hons) , MBA (Ex), CA, MAICD	NIL	500,000	500,000

Directorships in the last 3 years:

- Mirabela Nickel Limited 1 January 2011 to present.
- Swick Mining Services Limited 1 August 2010 to present
- Kasbah Resources Limited 1 March 2011 to present
- Territory Resources 5 May 2008 to 31 July 2011
- Eureka Energy Limited 5 July 2010 to 20 June 2012

Mr McCubbing is a Chartered Accountant with more than 25 years corporate experience, principally in the areas of corporate finance, mergers and acquisitions.

Mr McCubbing has spent more than 14 years working with ASX 200 and other listed companies in senior finance roles, including positions as Finance Director and Chief Financial Officer in mining and industrial companies.

COMPANY SECRETARY – QUALIFICATIONS & EXPERIENCE

Kevin Hart (Appointed 13 October 2009)

B.Com FCA

Mr Hart is a Chartered Accountant and was appointed to the position of Company Secretary on 13 October 2009. He has over 25 years experience in accounting and the management and administration of public listed entities in the mining and exploration industry.

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

ENVIRONMENTAL REGULATIONS

The Group is subject to significant environmental regulation in respect of its mineral exploration and mining activities.

The Group currently has exploration and mining tenements in Queensland, Australia. The entity is not aware of any breach of environmental regulations during or since the end of the financial year.

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

The Group has reviewed the updated greenhouse reporting requirements contained in the National Greenhouse and Energy Reporting Act 2007 and determined that the current energy usage remains below the reporting thresholds

DIRECTORS' MEETINGS

The number of Directors' meetings and number of meetings attended by each of the Directors of the Company during the year and the number each Director attended are set out below.

	Directors' Meetings	
	Attended	Held
Mr CW Morgan	7	8
Mr AJ King	8	8
Mr AL Richards	8	8
IJ McCubbing	3	3

(i) The Audit committee was established in March 2012. There were no formal meetings held in the period to June 2012.

REMUNERATION REPORT (AUDITED)

The remuneration report is set out under the following main headings:

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

(b) Details of remuneration

(c) Service agreements

(d) Share-based compensation

(e) Additional information

DIRECTORS AND EXECUTIVES DISCLOSED IN THIS REPORT

Name	**Position**
Directors	
CW Morgan	Non-Executive Chairman
AJ King	Managing Director
AL Richards	Non-Executive Director
IJ McCubbing	Non-Executive Director
Other key management personnel	
TA Harris	Chief Financial Officer
MA Reed	Operations Manager
KR Hart	Company Secretary

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

(A) PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Competiveness and reasonableness
- Acceptability to shareholders
- Performance linkage/alignment of executive compensation
- Transparency
- Capital management

The framework provides a mix of fixed and variable pay, and a blend of short and long term incentives. As executives gain seniority within the group, the balance of this mix shifts to a higher proportion of "at risk" rewards.

As the Group transitions to steady state commercial production during 2012/13 the Board plans to establish a separate remuneration committee. Such a committee will provide the full Board with advice on remuneration and incentive policies and practices, as well as specific recommendations on remuneration packages and other terms of employment for executive directors, non-executive directors, and senior executives. The committee may also oversee the remuneration policies for employees.

Non-executive Directors

Total remuneration for all Non-executive Directors voted upon by shareholders at an Annual General Meeting, whereby it is not to exceed $400,000 per annum. Fees are set at appropriate levels for Chair and other Non-executive Directors. Non-executive Directors do not receive bonuses. Director's fees cover all main Board activities.

Executive pay

The combination of the following comprises the executive's total remuneration:

- Base pay and benefits, including superannuation,
- Short term performance incentives, and
- Long term incentives through participation in the Alcyone Resources Ltd Incentive Option Scheme and Performance Rights Plan.

Base pay

Structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

There are no guaranteed base pay increases included in any executives' contracts.

Benefits

Executives can salary sacrifice certain benefits as agreed with the Company from time to time.

Superannuation

Retirement benefits are paid to complying superannuation funds nominated by the executives. During the period ended 30 June 2011 the Company contribution rate was 9% of ordinary time earnings.

Short term incentives

The Board is responsible for setting appropriate targets and key performance indicators that link to the Short Term Incentive Plan ('STIP'). The Board has not established any ongoing short term incentives apart from:

- At the date of the report, the Company has entered into an agreement with the Managing Director which includes a performance based component. Upon meeting certain key performance criteria set by the Chairman and the Board, the Managing Director can earn up to 30% of his base salary as a short term cash incentive. Any long term incentive in the form of an option package will be issued at the sole discretion of the Board.
- At the date of the report, the Company has entered into an agreement with the Operations Manager which includes a performance based component. Upon meeting certain key performance criteria set by the Chairman and the Board, the Operations Manager can earn up to 50% of his base salary as a short term cash incentive. Any long term incentive in the form of an option package will be issued at the sole discretion of the Board.

The Board is responsible for assessing whether the KPI's are met. To help make this assessment, the Board received detailed reports on performance from management. The short term bonus payments may be adjusted up or down in line with under or over achievement against the target performance levels. This is at the discretion of the Board.

Going forward, it is planned that a Remuneration Committee will develop, over the following financial year, further policy and plans around short term incentives that reflect the operational changes to the Group's activities as the Group transitions from a focus on exploration and production ramp up to commercial silver production. Refer also to the Corporate Governance Statement for more detail on the Board's policy in this area.

Use of remuneration consultants

No remuneration consultants have been retained by the company to date, but this may occur as a Remuneration committee further develops this framework.

Long-term incentives

Long term incentives are provided to certain employees via the Alcyone Resources Limited Incentive Option Scheme and Performance Rights Plan.

The plans were approved by shareholders at the Annual General Meeting held on 25 November 2010.

Voting and comments made at the Group's 2011 Annual General Meeting

Alcyone Resources received more than 83% of "yes" votes on its remuneration report for the 2011 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

(B) DETAILS OF REMUNERATION

Details of the nature and amount of each element of the emoluments of each key management personnel of the Company and the consolidated entity for the year ended 30 June 2011 and 2012 are set out in the following tables:

2012	Short-term employee benefits			Post-employment benefits		Share-based payments		
Name	Cash salary and fees $	Cash Bonus $	Non-Monetary benefits $	Super-annuation $	Retirement benefits $	Equity-settled Options $	Equity-settled Rights $	Total $
Directors								
CW Morgan	81,670	-	-	-	-	192,083	-	273,753
AJ King(i)	444,251	-	-	14,461	-	-	-	458,712
AL Richards	50,000	-	-	-	-	21,185	40,500	111,685
IJ McCubbing(ii)	20,405	-	-	1,836	-	-	-	22,241
Other key management personnel of the Group								
TA Harris	201,835	-	-	18,165	-	-	-	220,000
MA Reed	281,466	-	3,475	22,707	-	49,489	-	357,137
K Hart	69,875	-	-	-	-	-	-	69,875
TOTAL	**1,149,502**	**-**	**3,475**	**57,169**	**-**	**262,757**	**40,500**	**1,513,403**

(i) Differs to base annual salary value due to consulting fees from previous year paid prior to the commencement of Mr Kings employment agreement

REMUNERATION REPORT (AUDITED) (CONTINUED)

2011	Short-term employee benefits			Post-employment benefits		Share-based payment	
Name	Cash salary and fees $	Cash Bonus $	Non-Monetary benefits $	Super-annuation $	Retirement benefits $	Equity-settled Options* $	Total $
Directors							
CW Morgan	78,330	-	-	-	-	-	78,330
AJ King	260,179	150,000	-	-	-	-	410,179
AL Richards(i)	-	-	-	-	-	-	-
EP de Mori (ii)	34,163	-	-	-	-	-	34,163
Other key management personnel of the Group							
TA Harris (iii)	63,656	-	-	5,729	-	43,021	112,406
MA Reed (iv)	32,669	-	-	2,940	-	-	35,609
K Hart	78,500	-	-	-	-	-	78,500
TOTAL	**547,497**	**150,000**	**-**	**8,669**	**-**	**43,021**	**749,187**

(i) *Appointed 06.05.11*

(ii) *Resigned 06.05.11*

(iii) *Appointed 14.03.11*

(iv) *Appointed 16.05.11*

The relative proportion of remuneration that are linked to retention incentives and those that are fixed are as follows:

Name	Fixed Remuneration		At Risk – STI		At Risk – LTI	
	2012	2011	2012	2011	2012	2011
Directors						
CW Morgan	30%	100%	-	-	70%	-
AJ King	100%	63%	-	37%	-	
AL Richards	45%	-	-	-	55%	-
IJ McCubbing	100%	-	-	-	-	-
EP de Mori	-	100%	-	-	-	-
Other key management personnel of the Group						
TA Harris	100%	62%	-	-	-	38%
MA Reed	86%	100%	-	-	14%	-
K Hart	100%	100%	-	-	-	-

Since retention incentives are provided exclusively by way of performance rights and options, the percentages disclosed also reflect the value of remuneration consisting of rights and options, based on the value of options expensed during the year.

(C) SERVICE AGREEMENTS

Remuneration and other terms of employment for the Managing Director and the other key management personnel are formalised in service agreements. Each of these agreements provide for the provision of performance-related cash bonuses and participation, when eligible, in the Alcyone Resources Ltd Incentive Option Scheme ('Scheme') and Performance Rights Plan ('Plan'). Other major provisions of the agreements relating to remuneration are set out below:

All contracts with executives may be terminated early by either party with notice as set out in their service agreement, subject to termination payments as detailed below

Andrew King, Managing Director

- Term of Agreement – No fixed term commencing 1 August 2011
- Termination Notice – 3 months
- Base Salary, inclusive of Superannuation of $400,000 to be reviewed annually
- Performance based component of up to 30% of base salary paid as cash, on achievement of certain key performance criteria as set by the Board
- Payment of a termination benefit, other than for gross misconduct, of 12 months base salary.
- Prior to 1 August 2011 Mr King and a related company Moonshadow Holdings Limited provided management, technical and administrative services at commercial rates, plus expenses and allowances as approved by the Board.

Trevor Harris, Chief Financial Officer

- Term of agreement – no fixed term commencing 14 March 2011.
- Termination notice – 1 months notice.
- Base salary inclusive of superannuation of $220,000 to be reviewed annually.
- Payment of a termination benefit by the employer, other than for gross misconduct, of 6 month's salary.

Michael Reed, Operations Manager

- Term of agreement – no fixed term commencing 16 May 2011.
- Termination notice – 1 months notice.
- Performance based component – upon meeting certain key performance criteria set by the Board, the Operations Manager can earn up to 50% of his base salary as a short term cash incentive.
- Base salary inclusive of superannuation of $275,000 to be reviewed annually.

(D) SHARE-BASED COMPENSATION

Options and Performance Rights

Options over shares in Alcyone Resources Ltd are granted under the Alcyone Resources Ltd Incentive Option Scheme and the Alcyone Resources Ltd Performance Rights Plan which was approved by shareholders at an Annual General Meeting of shareholders of the Company held on 25 November 2010. The Option Scheme and the Performance Rights Plan is designed to provide long term incentives for executives to deliver long term shareholder returns, and participation in the future growth of the Company. Under the Scheme participants are granted options which typically vest on issue with a strike price 50% above the market price. The Scheme allows the Company to issue free options to an eligible person. The options are exercisable at a fixed price in accordance with the Plan.

Performance Rights issued under the Plan are designed to ensure the retention of directors and key staff and have vesting periods of between 12 and 48 months, except under certain circumstances whereby Rights may be capable of exercise prior to the expiry of the vesting period. Participation in the Scheme is at the Board's discretion and no individual has a contractual right to participate in the Scheme or to receive any guaranteed benefits.

Options

Details of options over ordinary shares in the Company provided as remuneration to each Director of Alcyone Resources Ltd and each of the key management personnel of the Group are set out below. When exercisable, each option is convertible into one ordinary share of Alcyone Resources Ltd. Further information on the options is set out in note 21 to the Financial Statements.

2012					
Name	Number of Options granted during the year	Value of options at grant date $	Number of options vested during the year	Number of options lapsed during the year	Value of options at lapse date $
Directors					
CW Morgan	5,000,000	192,083	5,000,000	-	-
AJ King	-	-	-	-	-
AL Richards	500,000	21,083	500,000	-	
IJ McCubbing (Appointed 17.02.12)	-	-	-	-	-
Other key management personnel of the group					
TA Harris	-	-	-	-	
MA Reed	1,000,000	49,489	1,000,000	-	-
K Hart	-	-	-	-	-
TOTAL	**6,500,000**	**262,655**	**6,500,000**	**-**	**-**

There were no options issued as remuneration exercised by Directors or Key Management Personnel during the year.

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

Grant Date	Date Vested & Exercisable	Expiry Date	Exercise Price	Value Per Option at date of Grant
March 2011	31 March 2011	31 March 2015	$0.11	$0.04
August 2011	12 August 2011	31 August 2015	$0.15	$0.05
November 2011	30 November 2011	29 November 2015	$0.15	$0.04
November 2011	30 November 2011	29 November 2015	$0.12	$0.04

** Value per option at date of grant is calculated using Black-Scholes Option Pricing model at grant date*

Options granted under the Option Scheme carry no dividend or voting rights.

The exercise price of options is set at a premium to the price at which the company's shares are traded on the Australian Securities Exchange on the day of issue.

The Option Scheme rules contain a restriction on removing the 'at risk' aspect of the instruments granted to executives. Option Scheme participants may not enter into any transaction designed to remove the 'at risk' aspect of the instrument before it vests

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

REMUNERATION REPORT (AUDITED) (CONTINUED)

The model inputs for incentive options granted during the year are disclosed in the table below:

	2012	2012	2011
Exercise Price	$0.15	$0.12	$0.11
Grant date	12 August 2011	29 November 2011	30 March 2011
Expiry date	31 August 2015	29 November 2015	31 March 2015
Share price at grant date	$0.096	$0.081	$0.076
Expected price volatility	80%	80%	84%
Expected dividend yield	0%	0%	0%
Risk free interest rate	3.64%	3.64%	5.17%

All options are granted for no consideration and vest based on the Option Scheme rules.

Performance Rights

Details of performance rights in the Company provided to each Director of Alcyone Resources Ltd and each of the key management personnel of the Group during 2011/12 are set out below. When exercisable, each right is convertible into one ordinary share of Alcyone Resources Ltd.

Name	Number of performance rights granted during the year	Value of performance rights at grant date $	Number of performance rights vested during the year	Number of performance rights lapsed during the year	Value of performance rights at lapse date $
Directors					
CW Morgan	-	-	-	-	-
AJ King	-	-	-	-	-
AL Richards	500,000	40,500	-	-	
IJ McCubbing (Appointed 17.02.12)	-	-	-	-	-
Other key management personnel of the group					
TA Harris	-	-	-	-	-
MA Reed	-	-	-	-	-
K Hart	-	-	-	-	-
TOTAL	**500,000**	**40,500**	**-**	**-**	**-**

Further information on Performance Rights are set out in note 21 to the Financial Statements.

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

Grant Date	Date Vested & Exercisable	Expiry Date	Exercise Price	Value Per Option at date of Grant*
November 2011	29 November 2012	29 November 2015	$0.00	$0.08
November 2011	29 November 2013	29 November 2015	$0.00	$0.08
November 2011	29 November 2014	29 November 2015	$0.00	$0.08

The assessed fair value at grant date of performance rights granted to the individuals is allocated equally over the period from grant date to vesting date of each tranche, and the full amount is included in the remuneration tables above. Fair values at grant date are independently determined using the share price of a fully paid Alcyone Resources Limited share as at the grant date on 30 November 2011.

Shares provided on exercise of remuneration options or rights

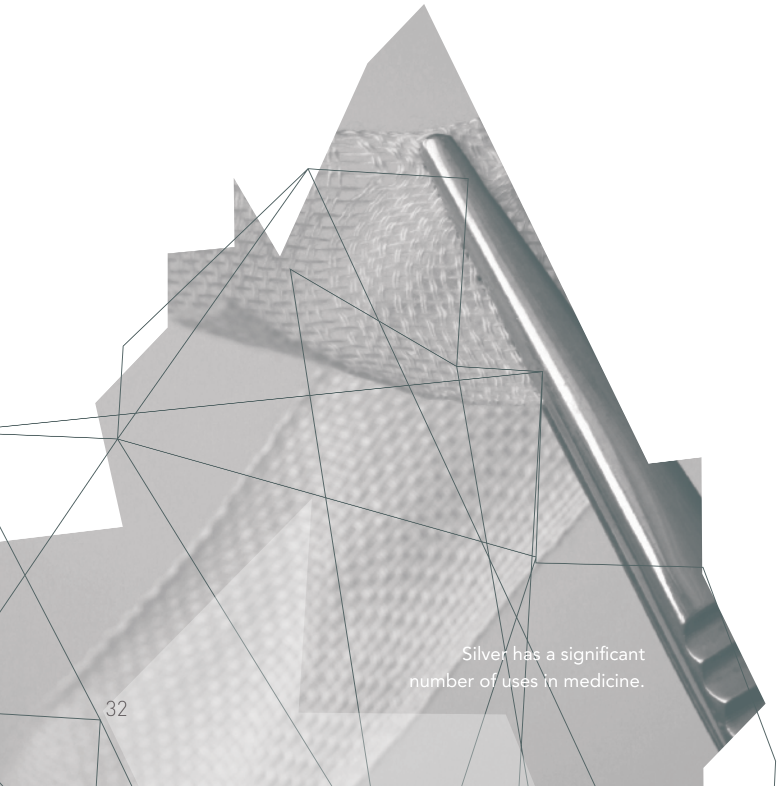
No shares were issued on exercise of options or rights under a Share Option Plan during the year. No amounts are unpaid on any shares issued on the exercise of options.

For the year ended 30 June 2012 no options granted as remuneration were exercised by any directors or key management personnel (2011: Nil).

(E) ADDITIONAL INFORMATION

The directors have not provided information regarding the earnings and share price for the last 5 years as the Company has been in various stages of Administration development, and then production ramp up. Over this period the Company incurred significant losses as recorded on the Consolidated Statement of Comprehensive Income.

THIS IS THE END OF THE AUDITED REMUNERATION REPORT



Silver has a significant number of uses in medicine.

LOANS TO DIRECTORS AND EXECUTIVES

No loans have been made to Directors or other key management personnel of Alcyone Resources Ltd or of the consolidated entity, including their personally-related entities.

SHARES UNDER OPTION

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

Date options granted	Expiry date	Issue price of shares	Number under option
25 Feb 2008	9 Nov 2012	$9.60	250,000
09 Oct 2010	30 Sep 2012	$0.01	10,666,667
30 Mar 2011	31 Mar 2015	$0.11	1,000,000
12 Aug 2011	31 Aug 2015	$0.15	1,000,000
30 November 2011	29 November 2015	$0.15	5,000,000
30 November 2011	29 November 2015	$0.12	500,000
15 May 2012	14 May 2015	$0.06	30,145,837
22 May 2012	14 May 2015	$0.06	1,104,167
11 July 2012	14 May 2015	$0.06	20,786,405
9 July 2012	4 July 2016	$0.06	500,000
		TOTAL	**70,953,076**

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

SHARES ISSUED ON THE EXERCISE OF OPTIONS

The following ordinary shares of Alcyone Resources Ltd were issued during the year ended 30 June 2012 on the exercise of options. No amounts are unpaid on any of the shares.

Date options granted	Issue price of shares	Number of shares issued
9 October 2009	$0.01	9,333,333

The following ordinary shares of Alcyone Resources Ltd were issued subsequent to 30 June 2012, but prior to the date of this report. No amounts are unpaid on any of the shares.

Date options granted	Issue price of shares	Number of shares issued
9 October 2009	$0.01	51,000,000

PERFORMANCE SHARE RIGHTS

Unvested Performance Rights of Alcyone Resources Ltd at the date of this report and post consolidation are as follows:

Date Rights granted	Expiry date	Number
30 November 2011	29 November 2015	500,000
7 July 2012	6 July 2016	500,000
	TOTAL	**1,000,000**

The rights holder has any right under the rights to participate in any other share issue of the Company or of any other entity.

SHARES ISSUED ON THE EXERCISE OF PERFORMANCE RIGHTS

No ordinary shares were issued on the exercise of vested performance rights during the year (2011:N/A), and no performance rights expired unexercised or were cancelled (2011: N/A).

No performance share rights have been issued, exercised or cancelled between the end of the financial year and the date of this report.

INSURANCE OF OFFICERS

During the year the Company paid an insurance premium to insure certain officers of the Company. The officers of the Company covered by the insurance policy include the Directors named in this report.

The Directors and Officers Liability insurance provides cover against all costs and expenses that may be incurred in defending civil or criminal proceedings that fall within the scope of the indemnity and that may be brought against the officers in their capacity as officers of the Company. The insurance policy does not contain details of the premium paid in respect of individual officers of the Company. Disclosure of the nature of the liability cover and the amount of the premium is subject to a confidentiality clause under the insurance policy.

The Company has entered into an agreement to indemnify all Directors and Officers against all indemnifiable losses or liabilities incurred by each Director or Officer in their capacities as Directors and Officers of the Company. The Company has not provided any indemnity or insurance for an auditor of the Company.

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Consolidated Entity are important, and it can occur without effecting the Auditor's independence. Details of the amounts paid or payable to the auditor (BDO) for audit and non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

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

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 35.

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms.

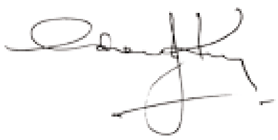
Assurance services	2012 $	2011 $
1. Audit Services		
BDO Audit (WA) Pty Ltd	70,074	55,731
Total remuneration for audit services	**70,074**	**55,731**
2. Taxation Services		
BDO Corporate Tax (WA) Pty Ltd	-	3,500
Total remuneration for taxation services	**-**	**3,500**

PROCEEDINGS ON BEHALF OF COMPANY

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

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

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



Andrew King
Managing Director
Dated this 25 September 2012

AUDITORS' INDEPENDENCE DECLARATION

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Fax: +8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

25 September 2012

Alcyone Resources Limited
The Board of Directors
Level 1
50 Kings Park Road
WEST PERTH WA 6005

Dear Sirs,

DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF ALCYONE RESOURCES LIMITED

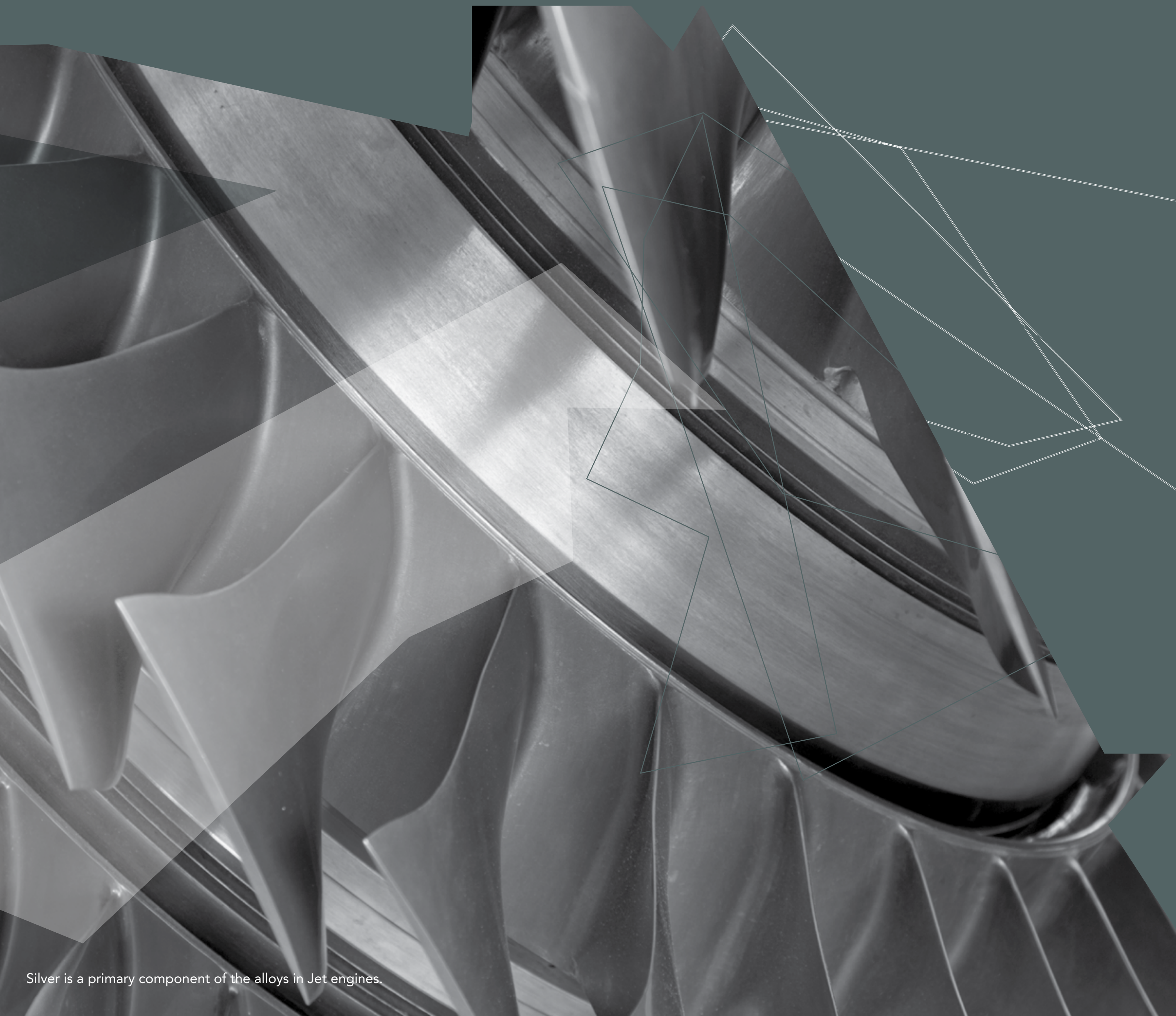
As lead auditor of Alcyone Resources Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Alcyone Resources Limited and the entity it controlled during the year.

PETER TOLL
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia



Silver is a primary component of the alloys in Jet engines.

FINANCIAL REPORT

ALCYONE RESOURCES LTD & ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012	2011
		$	$
Revenue from continuing operations	4	10,528,296	395,992
Other Income	4	673,098	524,513
Cost of sales		(8,049,129)	-
Royalties		(1,082,521)	-
Corporate compliance, insurance, shareholder relations, conference and promotion		(988,933)	(514,333)
Consulting fees		(220,493)	(302,171)
Depreciation and Amortisation	5	(1,504,596)	(191,834)
Employee benefit expense		(1,442,638)	(979,840)
Share based payment expense	27(e)	(211,497)	(43,021)
Financing costs		(49,918)	(1,507,610)
Office rental, communication and consumables		(272,945)	(158,080)
Creditors claim settled (dividend)		-	(600,000)
Loss on disposal of assets		-	(104,225)
Exploration expenditure written off	14	(246,250)	-
Other expenses		(252,218)	(455,644)
(Loss) / Profit before income tax		**(3,119,744)**	**(3,936,253)**
Income tax (expense)/credit	6	-	-
(Loss) / Profit for the year		**(3,119,744)**	**(3,936,253)**
(Loss) / Profit attributable to members of Alcyone Resources Ltd		**(3,119,744)**	**(3,936,253)**
Other comprehensive income		-	-
Total comprehensive income for the year		**(3,119,744)**	**(3,936,253)**
Total comprehensive (loss) / income attributable to the members of Alcyone Resources Ltd		**(3,119,744)**	**(3,936,253)**
		Cents	Cents
Basic and diluted (loss) / earnings per share	30	(0.24)	(0.39)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

ALCYONE RESOURCES LTD & ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	Notes	2012	2011
		$	$
ASSETS			
Current Assets			
Cash and cash equivalents	7	2,121,068	3,036,586
Trade and other receivables	8	597,685	1,048,697
Inventory	9	5,710,145	838,498
Financial assets at fair value through profit or loss	10	25,098	-
Total Current Assets		**8,453,996**	**4,923,781**
Non-Current Assets			
Receivables	11	2,090,462	2,089,802
Property, plant and equipment	12	11,516,252	2,209,153
Finance lease asset	13	1,257,736	-
Mineral exploration and evaluation expenditure	14	4,599,623	3,044,032
Mineral development expenditure	16	3,848,313	15,299,302
Total Non-Current Assets		**23,312,386**	**22,642,289**
Total Assets		**31,766,382**	**27,566,070**
LIABILITIES			
Current Liabilities			
Trade and other payables	17	4,515,008	3,630,854
Commodity loan	18	1,500,000	-
Finance lease liabilities	18	456,019	-
Financial liabilities	18	90,729	93,482
Total Current Liabilities		**6,561,756**	**3,724,336**
Non-Current Liabilities			
Finance lease liabilities	19	794,917	-
Provisions	20	3,286,705	4,028,973
Total Non-Current Liabilities		4,081,622	4,028,973
Total Liabilities		**10,643,378**	**7,753,309**
Net Assets		**21,123,004**	**19,812,761**
EQUITY			
Parent entity interest			
Contributed equity	21	99,803,875	95,585,386
Reserves	22(a)	2,954,754	2,743,256
Accumulated losses	22(b)	(81,635,625)	(78,515,881)
Total Equity		**21,123,004**	**19,812,761**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

ALCYONE RESOURCES LTD & ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

	Issued Capital	Accumulated losses	Share Based Payments reserve	Total Equity
	$	$	$	$
Balance at 1 July 2010	**78,912,310**	**(74,579,628)**	**2,700,235**	**7,032,917**
Loss for the year	-	(3,936,253)	-	(3,936,253)
Other comprehensive income	**-**	**-**	**-**	**-**
Total comprehensive income for the year	**-**	**(3,936,253)**	**-**	**(3,936,253)**
Transactions with owners in their capacity as owners				
Shares issued during the year	16,673,076	-	-	16,673,076
Fair value of options issued	-	-	43,021	43,021
Balance at 30 June 2011	**95,585,386**	**(78,515,881)**	**2,743,256**	**19,812,761**
Balance at 1 July 2011	**95,585,386**	**(78,515,881)**	**2,743,256**	**19,812,761**
Loss for the year	-	(3,119,744)	-	(3,119,744)
Other comprehensive income	**-**	**-**	**-**	**-**
Total comprehensive income for the year	**-**	**(3,119,744)**	**-**	**(3,119,744)**
Transactions with owners in their capacity as owners				
Shares issued during the year, net of costs	4,218,489	-	-	4,218,489
Fair value of options issued	-	-	211,498	211,498
Balance at 30 June 2012	**99,803,875**	**(81,635,625)**	**2,954,754**	**21,123,004**

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

ALCYONE RESOURCES LTD & ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012	2011
		$	$
Cash Flows from Operating Activities			
Cash receipts in the course of operations(i)		22,532,700	-
Interest received		181,706	404,601
Payments to suppliers and employees		(19,798,425)	(1,566,789)
Payment to creditors' trust		(600,000)	-
Interest and other costs of finance		(18,201)	(1,507,610)
Net Cash Flow Inflow/(Outflow) from Operating Activities	**32**	**2,297,780**	**(2,669,798)**
Cash Flows from Investing Activities			
Exploration and evaluation activities		(1,832,220)	(2,413,531)
Development activities			
- Expenditure		(5,292,715)	(12,303,849)
- Revenue offset against costs		-	493,986
Security deposits paid		(660)	(374,400)
Proceeds from sale of property, plant and equipment		190,000	671,818
Purchase of property, plant and equipment		(1,578,218)	(780,487)
Net Cash (Outflow) From Investing Activities		**(8,513,813)**	**(14,706,463)**
Cash Flows from Financing Activities			
Proceeds from issue of shares (net of share issue costs)		4,386,903	16,673,075
Proceeds from borrowings		4,250,000	-
Repayment of borrowings		(3,336,388)	(2,460)
Net Cash Inflow From Financing Activities		**5,300,515**	**16,670,615**
Net (Decrease) / Increase in Cash and Cash Equivalents		**(915,518)**	**(705,646)**
Cash and cash equivalents at the beginning of the year		3,036,586	3,742,232
Cash and Cash Equivalents at the End of the year	**7**	**2,121,068**	**3,036,586**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.
(i) Includes cash receipts from sales made between 1 July 2011 and 31 December 2011 treated as a recovery of capital. See Note 16

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The ultimate parent entity Alcyone Resources Ltd is a public, listed company, incorporated and domiciled in Australia and having its registered address and principal place of business at Level 1, 50 Kings Park Road, West Perth.

(A) BASIS OF PREPARATION

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

Australian Accounting Standards include Australian Equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements of the group comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2011. It has been determined by the Group that there is no impact, material or otherwise, of the new and revised standards and interpretations on its business and therefore no change is necessary to Group accounting policies.

HISTORICAL COST CONVENTION

These financial statements have been prepared under the historical cost convention.

CRITICAL ACCOUNTING ESTIMATES

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

(B) PRINCIPLES OF CONSOLIDATION

(I) SUBSIDIARIES

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Alcyone Resources Ltd (''company" or ''parent entity") as at 30 June 2012 and the results of all subsidiaries for the year then ended. Alcyone Resources Ltd and its subsidiary together are referred to in this financial report as the Group or the Consolidated Entity.

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

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

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

Subsidiaries are carried at cost less impairment in the Parent Financial Statements.

(II) JOINT VENTURES

Joint venture operations

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

(C) SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

(D) FOREIGN CURRENCY TRANSLATION

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

(E) REVENUE RECOGNITION

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

(I) METAL SALES

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

(II) INTEREST INCOME

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

(F) INCOME TAX

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

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

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

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

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

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

(G) IMPAIRMENT OF ASSETS

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

(H) CASH AND CASH EQUIVALENTS

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand with financial institutions and petty cash.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) TRADE AND OTHER RECEIVABLES

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

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

(J) INVENTORIES

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

Silver inventory has been classified according to the various stages of production and includes Ore Stocks, Silver in circuit and Dore bars.

Cost is determined on the following basis:

- Silver inventory is valued on an average total production cost method;
- The measurement of silver in circuit and ore stocks is based on best acceptable metallurgical practices.

(K) INVESTMENTS AND OTHER FINANCIAL ASSETS

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

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

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

(I) LOANS AND RECEIVABLES

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

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

(II) IMPAIRMENT

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have a negative effect on the estimated future cash flows of that asset.

(L) FAIR VALUE ESTIMATION

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(M) PROPERTY, PLANT AND EQUIPMENT

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

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

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

Plant and Equipment reclassified during the 2012 reporting period is depreciated over the useful life of the Twin Hills mine, depreciation rates are calculated based on ounces produced proportionate to the total measured ounces remaining in the JORC resource, see note 3b(iii).

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(g)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(N) TRADE AND OTHER PAYABLES

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

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

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

(O) BORROWINGS

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

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

(P) BORROWING COSTS

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

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

(Q) PROVISIONS

A provision is recognised in the Statement of Financial Position when the Group has a present legal, equitable or constructive obligation as a result of a past event, and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain. If the effect is material, provisions are determined by discounting the expected future cash flows at the pre-tax rate that reflects current market assessments of the time value of money, and where appropriate, the risks specific to the activity.

RESTORATION AND REHABILITATION

A provision is raised for the restoration and rehabilitation of each mine site. Restoration and rehabilitation works can include facility decommissioning and dismantling; removal or treatment of waste materials; land rehabilitation; and site restoration. The extent of the work required and the associated costs are dependent on the relevant regulatory requirements and the Group's environmental policies.

A provision for restoration and rehabilitation is recognised at the time that environmental disturbance occurs. When the extent of disturbance increases over the life of the mine site, the provision is increased accordingly. The provision recognised represents management's best estimate of the present value of the all future costs required to restore and rehabilitate each mine site in connection with environmental disturbances that have occurred at the reporting date.

(R) EMPLOYEE BENEFITS

(I) WAGES AND SALARIES, AND ANNUAL LEAVE

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

(II) LONG SERVICE LEAVE

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

(III) SHARE-BASED PAYMENTS

Share-based compensation benefits are provided to employees via the Alcyone Resources Ltd Incentive Option Scheme and the Alcyone Resources Ltd Performance Rights. Information relating to these Plans are set out in note 27.

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

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

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

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

(S) CONTRIBUTED EQUITY

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

(T) EARNINGS PER SHARE

(I) BASIC EARNINGS PER SHARE

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

(II) DILUTED EARNINGS PER SHARE

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

(U) EXPLORATION AND EVALUATION EXPENDITURE

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

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

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

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

(V) DEVELOPMENT EXPENDITURE

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

(W) DIVIDENDS

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(X) GOODS AND SERVICES TAX (GST)

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

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

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

(Y) ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2012, and have not been applied in preparing these consolidated financial statements. Those standards that may have an effect on the consolidated financial statements of the Group in the future are as follows.

AASB reference	Title and Affected Standard(s):	Nature of Change:	Application date:	Impact on Initial Application:
AASB 9 (issued December 2009 and amended December 2010)	Financial Instruments	Amends the requirements for classification and measurement of financial assets	Periods beginning on or after 1 January 2013	Due to the recent release of these amendments and that adoption is only mandatory for the 30 June 2014 year end, the entity has not yet made and assessment of the impact of these amendments
AASB 11 (issued May 2011)	Joint Arrangements	Joint arrangements will be classified as either 'joint operations' (where parties with joint control have rights to assets and obligations for liabilities) or 'joint ventures' (where parties with joint control have rights to the net assets of the arrangement). Joint arrangements structured as a separate vehicle will generally be treated as joint ventures and accounted for using the equity method (proportionate consolidation no longer allowed).	Annual reporting periods commencing on or after 1 January 2013	Joint arrangement structured as a separate vehicle, i.e. joint venture, currently uses the proportionate consolidation method. When this standard is adopted for the first time for the year ended 30 June 2014, joint ventures will be accounted for in consolidated financial statements using the equity method, rather than the proportionate consolidation method.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AASB reference	Title and Affected Standard(s):	Nature of Change:	Application date:	Impact on Initial Application:
AASB 12	Disclosure of interest in other entities	Combines existing disclosures from IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures. Introduces new disclosure requirements for interests in associates and joint arrangements, as well as new requirements for unconsolidated structured entities.	1 Jan 2013	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required for interests in associates and joint arrangements, as well as for unconsolidated structured entities.
AASB 2010-8 (issued December 2010)	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets (AASB 112)	For investment property measured using the fair value model, deferred tax assets and liabilities will be calculated on the basis of a rebuttable presumption that the carrying amount of the investment property will be recovered through sale.	Periods commencing on or after 1 January 2012	The group does not have any investment property measured using the fair value model. There will therefore be no impact on the financial statements when these amendments are first adopted.
AASB 2011-9 (issued September 2011)	Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income	Amendments to align the presentation of items of other comprehensive income (OCI) with US GAAP. Various name changes of statements in AASB 101 as follows: 1 statement of comprehensive income – to be referred to as 'statement of profit or loss and other comprehensive income' 2 statements – to be referred to as 'statement of profit or loss' and 'statement of comprehensive income'. OCI items must be grouped together into two sections: those that could subsequently be reclassified into profit or loss and those that cannot.	Annual periods commencing on or after 1 July 2012	When this standard is first adopted for the year ended 30 June 2013, there will be no impact on amounts recognised for transactions and balances for 30 June 2013 (and comparatives).
AASB 10 (issued August 2011)	Consolidated Financial Statements	Introduces a single 'control model' for all entities, including special purpose entities (SPEs), whereby all of the following conditions must be present: Power over investee (whether or not power used in practice) Exposure, or rights, to variable returns from investee Ability to use power over investee to affect the Group's returns from investee. Introduces the concept of 'defacto' control for entities with less than 50% ownership interest in an entity, but which have a large shareholding compared to other shareholders. This could result in more instances of control and more entities being consolidated.	Annual reporting periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the Group does not have any special purpose entities. The Group does not have 'defacto' control of any entities with less than 50% ownership interest in an entity.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AASB reference	Title and Affected Standard(s):	Nature of Change:	Application date:	Impact on Initial Application:
AASB 10 (issued August 2011)	Consolidated Financial Statements	Introduces a single 'control model' for all entities, including special purpose entities (SPEs), whereby all of the following conditions must be present: Power over investee (whether or not power used in practice) Exposure, or rights, to variable returns from investee Ability to use power over investee to affect the Group's returns from investee. Introduces the concept of 'defacto' control for entities with less than 50% ownership interest in an entity, but which have a large shareholding compared to other shareholders. This could result in more instances of control and more entities being consolidated.	Annual reporting periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the Group does not have any special purpose entities. The Group does not have 'defacto' control of any entities with less than 50% ownership interest in an entity.
AASB 13 (issued September 2011)	Fair Value Measurement	AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the statement of financial position or disclosed in the notes in the financial statements. Additional disclosures required for items measured at fair value in the statement of financial position, as well as items merely disclosed at fair value in the notes to the financial statements. Extensive additional disclosure requirements for items measured at fair value that are 'level 3' valuations in the fair value hierarchy that are not financial instruments	Annual reporting periods commencing on or after 1 January 2013	When this standard is adopted for the first time for the year ended 30 June 2014, additional disclosures will be required about fair values.
AASB 119 (reissued September 2011)	Employee Benefits	Employee benefits expected to be settled (as opposed to due to settled under current standard) wholly within 12 months after the end of the reporting period are short-term benefits, and therefore not discounted when calculating leave liabilities. Annual leave not expected to be used wholly within 12 months of end of reporting period will in future be discounted when calculating leave liability.	Annual periods commencing on or after 1 January 2013	When this standard is first adopted for 30 June 2014 year end, annual leave liabilities will be recalculated on 1 July 2012 as long-term benefits because they are not expected to be settled wholly within 12 months after the end of the reporting period. This will result in a reduction of the annual leave liabilities recognised on 1 July 2012, and a corresponding increase in retained earnings at that date
Interpretation 20 (issued November 2011)	Stripping Costs in the Production Phase of a Open Pit Mine	Clarifies that costs of removing mine waste materials (overburden) to gain access to mineral ore deposits during the production phase of a mine must be capitalised as inventories under AASB 102 Inventories if the benefits from stripping activity is realised in the form of inventory produced. Otherwise, if stripping activity provides improved access to the ore, stripping costs must be capitalised as a non-current, stripping activity asset if certain recognition criteria are met.	Annual periods commencing on or after 1 January 2013	This standard will be adopted by the Group at 1 January 2013. This may result in the transfer of capitalised waste costs from Mineralised Development assets to Inventory

NOTE 2 FINANCIAL RISK MANAGEMENT

(A) GENERAL OBJECTIVES, POLICIES AND PROCESSES

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

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk, and market risk.

(B) CREDIT RISK

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Group incurring a financial loss. This usually occurs when debtors or counterparties to derivative contracts fail to settle their obligations owing to the Group. The carrying amounts of cash and cash equivalents and, trade and other receivables totalling $4,809,215 (2011: $6,175,085) represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's bankers are National Australia Bank Limited, Credit Suisse AG and Westpac Bank Limited. At reporting date all operating accounts and bonds held on deposit are with these banks. The Directors believe that risk associated with these banks is mitigated by their size and reputation. Except for this matter the Group has no significant concentrations of credit risk.

CREDIT QUALITY OF CASH

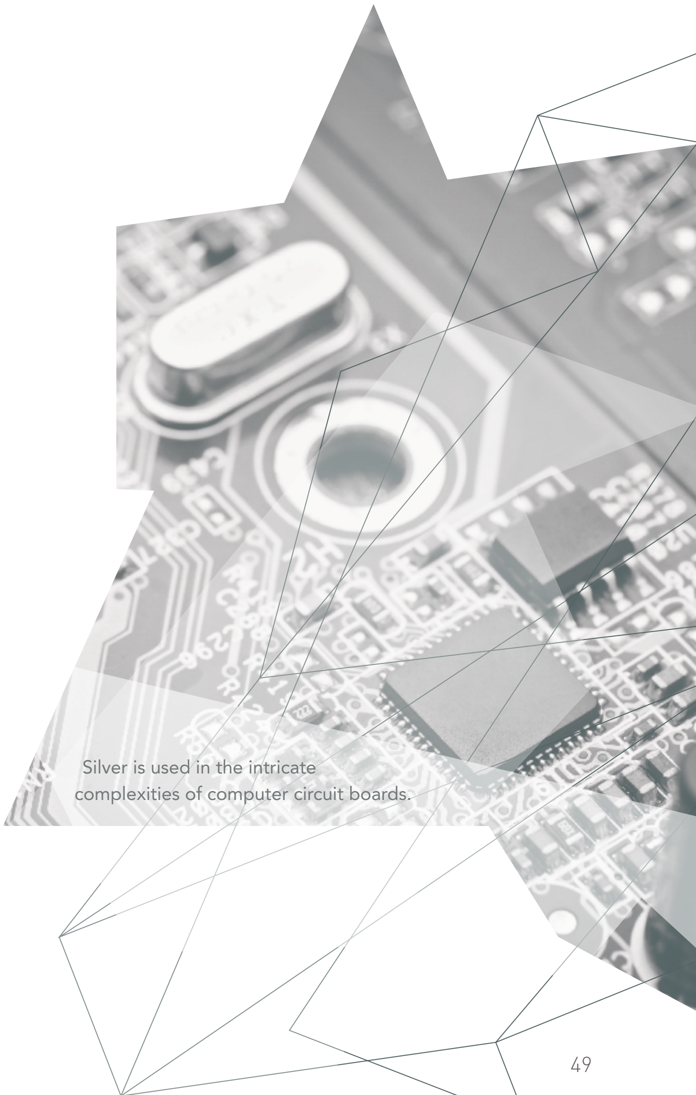
	2011	2012
	$	$
Cash at bank and short-term bank deposits		
A-1+	2,121,068	3,036,586
	2,121,068	**3,036,586**

No impairment expense or reversal of impairment charge has occurred during the reporting period.

(C) LIQUIDITY RISK

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

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



Silver is used in the intricate complexities of computer circuit boards.

FINANCING ARRANGEMENTS

Maturity Analysis	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Group – At 30 June 2012						
Financial Liabilities						
Non-interest bearing						
Accounts payable and other creditors	(4,149,638)	-	-	-	-	(4,149,638)
Commodity loan*	(1,500,000)	-	-	-	-	(1,500,000)
Fixed interest rate						
Finance lease liability	(211,292)	(244,727)	(611,765)	(183,152)	-	(1,250,936)
Variable interest rate						
Bank loans	(90,729)	-	-	-	-	(90,729)
	(5,951,659)	**(244,727)**	**(611,765)**	**(183,152)**	**-**	**(6,991,303)**
Group – At 30 June 2011						
Financial Liabilities						
Non-interest bearing						
Accounts payable and other creditors	(3,630,854)	-	-	-	-	(3,630,854)
Commodity loan	-	-	-	-	-	-
Fixed interest rate						
Finance lease liability						
Variable interest rate						
Bank loans	(93,482)	-	-	-	-	(93,482)
	(3,724,336)	-	-	-	-	(3,724,336)
Net Financial Assets/ (liabilities)	**2,440,749**	**10,000**	**-**	**-**	**-**	**2,450,749**

**Refer to note 23(d) for further detail on the commodity loan.*

NOTE 2 FINANCIAL RISK MANAGEMENT (CONTINUED)

(D) MARKET RISK

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

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

(I) INTEREST RATE RISK

BORROWINGS

It is the Group's policy to eliminate interest rate risk over the cash flows on the majority of its long-term debt finance through the use of fixed rate instruments and to continuously monitor interest rate risk exposures during the period balances are held and to alter the balance of fixed and floating rate deposits as considered appropriate. The Group's only exposure to floating-rate borrowings is $104,000 borrowed over 25 years for the purchase of a house for Mine staff accommodation. $90,729 was outstanding at 30 June 2012 (2011: $93,482) in respect of the loan and included in current borrowings. The loan is secured by a mortgage over the house purchased with the loan proceeds.

The interest rate at 30 June 2012 was 6.28%. This floating-rate borrowing exposes the Group to the fluctuations in interest rates that are inherent in such a market.

DEPOSITS

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

SENSITIVITY ANALYSIS

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date. At 30 June 2012, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Carrying Amount AUD	+ 50 basis points		- 50 basis points	
		Profit/(Loss)	Equity	Profit/(Loss)	Equity
	$	$	$	$	$
Consolidated - 2012					
Financial assets					
Cash and cash equivalents	2,121,068	10,605	10,605	(10,605)	(10,605)
Receivables	10,000	50	50	(50)	(50)
Security deposits	2,080,462	10,402	10,402	(10,402)	(10,402)
Financial liabilities					
Interest-bearing loans and borrowings	(90,729)	(454)	(454)	454	454
After tax increase/ (decrease)	**4,120,801**	**20,603**	**20,603**	**(20,603)**	**(20,603)**
Consolidated - 2011					
Financial assets					
Cash and cash equivalents	3,036,586	15,183	15,183	(15,183)	(15,183)
Receivables	10,000	50	50	(50)	(50)
Security deposits	2,079,802	10,399	10,399	(10,399)	(10,399)
Financial liabilities					
Interest-bearing loans and borrowings	(93,482)	(467)	(467)	467	467
After tax increase/ (decrease)	**5,032,906**	**25,165**	**25,165**	**(25,165)**	**(25,165)**

NOTE 2 FINANCIAL RISK MANAGEMENT (CONTINUED)

(II) CURRENCY RISK

Neither the Group nor the Parent had any financial instruments with foreign currency exposure in 2012.

(III) COMMODITY PRICE RISK

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

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

The Group established a commodity loan and forward trade facility during the year which was repayable in total by 797,126 ounces of silver during the 2012 calendar year. The purpose of the forward trade facility is to guarantee an average sale price of $33.77 for the volume of forward traded ounces.

The Group delivered 195,529 ounces during 2011/12, and closed out a further 293,338 ounces on-market. The remaining commitment at 30 June 2012 is 308,260 ounces, comprising 51,384 ounces as repayment of the Commodity Loan, and forward sales of 256,876 ounces at an average price of $33.85.

(IV) EQUITY PRICE RISK

The Group is exposed to equity securities price risk. This arises from investments held by the group and classified in the statement of financial position at fair value through profit or loss. The group's holdings are in Cove Resources who are publicly traded on the Australian Stock Exchange. The value of this holding was assessed at fair value by reference to a level 1 active market for the investment (ASX). Sensitivity analysis was not performed on these securities as the impact was deemed immaterial.

NOTE 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(A) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

(B) CRITICAL JUDGEMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES

(I) MINE RESTORATION PROVISIONS ESTIMATES

The calculation of rehabilitation and closure provisions (and corresponding capitalised closure cost assets where necessary) rely on estimates of costs required to rehabilitate and restore disturbed land to its original condition. These estimates are regularly reviewed and adjusted in order to ensure that the most up to date data is used to calculate these balances. Restoration provisions are disclosed in Note 18. There was $850,664 decrease in the restoration provision in 2012 (2011: Nil).

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

(II) DETERMINATION OF INVENTORY

Silver inventory at the reporting date is based on actual bullion on hand plus metallurgical testing of silver precipitate in circuit. Refer to Note 1 (i) for further details.

(III) UNITS OF PRODUCTION METHOD OF DEPRECIATION AND AMORTISATION

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

(IV) EMPLOYEE OPTIONS

The Group uses a Black-Scholes option pricing model to determine the fair values of options granted to employees, and others, at their grant date.

In order to use this pricing model the Group must make critical judgements and assumptions about a range of input

NOTE 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

variables to the model. These input variables include the expected price volatility of the underlying shares, the expected dividend yield, the risk-free interest rate for the term of the options, the impact of dilution and the non-tradeable nature of the options.

(V) IMPAIRMENT

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

(VI) RECOVERABILITY OF MINERAL DEVELOPMENT EXPENDITURE

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

NOTE 4 REVENUE

	2012	2011
	$	$
Revenue from Continuing Operations		
Sales revenue(i)	10,351,870	-
Interest received / receivable from other corporations	176,426	395,992
	10,528,296	**395,992**
Other Income		
Net gain on sale of plant and equipment	146,419	524,513
Proceeds from sale of tenements	50,000	-
Gain on settlement of supply contract	172,997	-
Machinery Hire	114,515	-
R&D tax refund	120,366	-
Sundry	68,801	-
	673,098	**524,513**

(i) Receipts from sales between 1 July 2011 and 31 December 2011 have been treated as a recovery of Capital. Refer Note 16

NOTE 5 EXPENSES

	2012	2011
	$	$
(Loss) / profit before income tax includes the following specific expenses:		
Depreciation and amortisation	1,504,596	191,834
Rental expenses on operating leases	128,072	103,560
Defined contribution superannuation expense	53,535	16,882
Net loss on revaluation of financial assets at fair value through profit or loss	24,902	-

NOTE 6 INCOME TAX

	2012	2011
	$	$
(a) Numerical reconciliation of income tax expense to prima facie tax payable / (tax loss)		
(Loss) / profit from continuing operations before income tax expense	(3,119,744)	(3,936,253)
Tax at Australian tax rate of 30% (2011 – 30%)	(935,923)	(1,180,876)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share based payments expense	63,449	12,906
Other	(35,225)	180,512
Recognition of deferred tax asset not previously brought to account	(723,277)	-
	(1,630,976)	**(987,458)**
Previously unrecognised tax losses used to offset amounts recognised in equity	-	-
Adjustment to unrecognised tax losses under commercial debt forgiveness rules	-	-
De-recognition of deferred tax asset previously brought to account	-	-
Deferred tax asset not brought to account	(1,630,976)	987,458
Income tax expense	**-**	**-**
(b) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	73,065,436	71,653,040
Potential tax benefit @ 30%	21,919,631	21,495,912
This benefit for tax losses will only be obtained if:		
• assessable income of a nature and of an amount sufficient to enable the benefit to be realised is derived; and		
• conditions for deductibility imposed by law continue to be complied with; and		
• no changes in tax legislation adversely affect the ability in realising the benefit.		
(c) Deferred tax liabilities/(assets) not recognised		
Amounts recognised in profit or loss		
Exploration and evaluation and development costs	4,599,623	3,044,033
Interest Receivable	994	-
Mineral Development and evaluation expenditure	(967,758)	8,717,807
Provisions and sundry items	(3,378,566)	(7,750,530)
	254,294	**4,011,308**
Potential tax benefit @ 30%	76,288	1,203,392
Set-off deferred tax assets associated with carried forward losses not recognised	(76,288)	(1,203,392)
Deferred tax assets (excluding tax losses) not brought into account	-	-
Net deferred tax liability	**-**	**-**

NOTE 7 CURRENT ASSETS: CASH & CASH EQUIVALENTS

	2012	2011
	$	$
Cash at bank and on hand	2,121,068	1,036,586
Deposits at call	-	2,000,000
	2,121,068	3,036,586

The cash at bank earns floating interest at 3.5% (2010: 5.3%). The Group's risk exposure to interest rate risk is discussed in Note 2.

NOTE 8 CURRENT ASSETS: TRADE AND OTHER RECEIVABLES

	2012	2011
	$	$
Other receivables	439,979	634,825
Prepayments	157,706	413,872
	597,685	1,048,697

As at 30 June 2012 there were no trade receivables that were passed due or impaired. A significant portion of the balance relates to GST receivable. The Group's risk exposure to credit risk is discussed in Note 2.

NOTE 9 INVENTORY

	2012	2011
	$	$
Materials and Supplies	309,197	-
Ore Stocks	3,232,209	-
Silver in circuit	1,264,760	240,523
Silver in precipitate	439,264	316,369
Dore bars	464,715	281,606
	5,710,145	838,498

Refer to Note 2 for risk management and Note 3 for critical accounting estimates.

Inventory comprises storeroom stock, Diesel, cyanide, reagents and work in progress and is stated at the lower of cost and net realisable value. All inventories are valued at cost

NOTE 10 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012	2011
	$	$
Australian listed equity securities	25,098	-

Financial assets at fair value through profit or loss are all held for trading. Changes in fair values of financial assets at fair value through profit or loss are recorded in other income or other expense in profit or loss. Information about the group's exposure to price risk and about the methods and assumptions used in determining fair value is provided in note 2.

NOTE 11 NON-CURRENT ASSETS: RECEIVABLES

	2012	2011
	$	$
Security Deposits – tenements and premises	2,090,462	2,089,802
	2,090,462	**2,089,802**

Refer to Note 2 for risk management

NOTE 12 NON CURRENT ASSETS: PLANT AND EQUIPMENT

		2012	2011
	$	$	$
Property			
Residential property at cost		134,992	134,992
Process plant			
Processing plant at cost		2,148,742	-
Less accumulated depreciation		(128,651)	-
		2,020,091	**-**
Crushing plant			
Crushing plant at cost		6,147,525	-
Less accumulated depreciation		(368,069)	-
		5,779,456	**-**
Plant and equipment			
Plant and equipment at cost		12,041,812	10,418,981
Less accumulated depreciation		(3,116,593)	(2,793,989)
Less Impairment		(5,343,506)	(5,550,831)
		3,581,713	**2,074,161**
Total property plant and equipment		**11,516,252**	**2,209,153**

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

RECONCILIATION

Reconciliation of the carrying amount of property, plant and equipment at the beginning and end of the financial year are set out below:

	Property	Process plant	Crushing plant	Plant and Equipment	Total
	$	$	$	$	$
2012					
Carrying amount at the beginning of the financial year	134,992	-	-	2,074,161	2,209,153
Transfer from development	-	2,148,742	6,147,525	252,180	8,548,447
Additions	-	-	-	1,713,286	1,713,286
Disposals	-	-	-	(43,581)	(43,581)
Depreciation expense	-	(128,651)	(368,069)	(414,333)	(911,053)
Impairment	-	-	-	-	-
Carrying amount at the end of the financial year	**134,992**	**2,020,091**	**5,779,456**	**3,581,713**	**11,516,252**
2011					
Carrying amount at the beginning of the financial year	134,992	-	-	1,737,038	1,872,030
Additions	-	-	-	780,487	780,487
Disposals	-	-	-	(251,530)	(251,530)
Depreciation expense	-	-	-	(191,834)	(191,834)
Impairment	-	-	-	-	-
Carrying amount at the end of the financial year	**134,992**	**-**	**-**	**2,074,161**	**2,209,153**

Plant and equipment additions for the year included costs for assets in the course of construction of $240,281 (2011: Nil).

The residential property is a house at 22 Severn Street, Texas, Queensland which is secured by a building mortgaged as disclosed in Note 18. The valuation of the property is considered fair based on current prices in an active market for similar properties in the same location and condition.

Plant and equipment assets previously classified as part of the mineral development asset were reclassified during the reporting period. Total value of the assets that were reclassified was $8,548,447 and are included in the tables at process plant ($2,148,742), crushing plant ($6,147,525) and plant and equipment ($252,180).

The carrying value of plant and equipment is regularly reviewed by the directors. The value as at 30 June 2012 is deemed to be reasonable based on its current condition.

NOTE 13 NON CURRENT ASSETS: FINANCE LEASE ASSET

	2012	2011
	$	$
Finance lease asset at cost	1,515,000	-
Less accumulated depreciation	(257,264)	-
	1,257,736	**-**

NOTE 14 MINERAL EXPLORATION AND EVALUATION EXPENDITURE

	2012	2011
	$	$
Expenditure carried forward in respect of areas of interest in the pre-production - exploration and evaluation phase		
Balance at the beginning of the financial year	3,044,032	630,501
Expenditure during the year – capitalised	1,801,841	2,413,531
Expenditure written off	(246,250)	-
Balance at the end of the financial year	**4,599,623**	**3,044,032**

The ultimate recoupment of exploration and evaluation expenditure carried forward is dependent on successful development and exploitation, or alternatively sale of the respective area of interest.

NOTE 15 INTERESTS IN JOINT VENTURES

Under a Joint Venture Agreement dated 10 December 2004 with Malachite Resources NL (Malachite), the Company acquired a 60% interest in exploration tenements. By June 2006 the Company had sole funded exploration on the tenements increasing its interest in the tenements to 75%. In 2012 the joint venture agreement was relinquished with all related expenditure written off through profit and loss.

NOTE 16 MINERAL DEVELOPMENT EXPENDITURE

	2012	2011
	$	$
Balance at the beginning of the financial year	15,299,302	3,489,438
Expenditure during the year	4,821,371	12,303,849
Revenue offset against costs	(7,135,408)	(493,985)
Rehabilitation provision write back	(850,664)	-
Reclassification of plant and equipment	(8,548,447)	-
Life of mine costs amortised	(214,713)	-
Capitalised waste costs	855,702	-
Capitalised waste costs amortised	(378,830)	-
Balance at the end of the financial year	3,848,313	15,299,302
The ultimate recoupment of costs carried forward for mineral development expenditure is dependent upon the successful development and commercial exploitation or sale of the respective areas of interest. Based on a review undertaken by the current directors, the carrying value of deferred mineral development expenditure is represented as follows:		
Tenements	3,378,313	14,829,302
Properties	470,000	470,000
	3,848,313	**15,299,302**

NOTE 17 CURRENT LIABILITIES: TRADE AND OTHER PAYABLES

	2012	2011
	$	$
Unsecured		
Trade creditors	3,342,173	3,549,197
Other creditors	713,532	-
Aggregate employee benefit and related on-costs liabilities	459,303	81,657
	4,515,008	**3,630,854**

Interest rate risk exposures

Details of the Group's exposure to interest rate changes on borrowings are set out in note 2 and 18.

NOTE 18 CURRENT LIABILITIES: BORROWINGS

	2012	2011
	$	$
Secured		
Building mortgage	90,729	93,482
Commodity loan	1,500,000	-
Finance lease liabilities	456,019	-
	2,046,748	**93,482**

The consolidated entity borrowed $104,000 toward the purchase of a house for mine staff accommodation. Liabilities in respect of the loan are included in current borrowings ($90,729). Interest is variable and at reporting date was 6.28% (2011: 7.71%).

A $3,000,000 commodity loan of 102,768 ounces is to be repaid in quarterly instalments commencing 30 March 2012. Two instalments remain to be repaid for the September and December quarter of the 2012 calendar year. Security on this facility is detailed in note 23.

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

NOTE 19 NON-CURRENT LIABILITIES: BORROWINGS

	2012	2011
	$	$
Secured		
Finance lease liabilities	794,917	-
	794,917	**-**

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

NOTE 20 NON-CURRENT LIABILITIES: PROVISIONS

	2012	2011
	$	$
Mine rehabilitation provision	3,178,309	4,028,973
Long service leave provision	108,396	-
	3,286,705	**4,028,973**
Movements		
Mine rehabilitation provision		
Balance 1 July	4,028,973	4,028,973
Increase in provision	-	-
Decease in provision due to change in estimate	(850,664)	-
Rehabilitation conducted	-	-
Balance 30 June	3,178,309	4,028,973
Long service leave		
Balance 1 July	-	-
Increase in provision	108,396	-
Balance 30 June	108,396	-
Total non-current provisions	**3,286,705**	**-**

NOTE 21 CONTRIBUTED EQUITY

(A) PAID UP CAPITAL

	Parent Entity		Parent Entity	
	2012	2011	2012	2011
	Shares	Shares	$	$
Ordinary shares – fully paid – no par value	**1,421,607,960**	**1,316,066,488**	**99,803,875**	**95,585,386**

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and in a poll each share is entitled to one vote.

NOTE 21 CONTRIBUTED EQUITY (CONTINUED)

Date	Details	Number of Shares	Issue Price $	$
30.06.11	Opening Balance	1,316,066,488		95,585,386
29.09.11	Options exercise	5,000,000	0.01	50,000
17.11.11	Options exercise	1,000,000	0.01	10,000
21.11.11	Options exercise	1,000,000	0.01	10,000
14.12.11	Options exercise	1,333,333	0.01	13,333
02.05.12	Options exercise	1,000,000	0.01	10,000
15.05.12	Share placement – tranche 1	60,291,666	0.048	2,894,000
21.05.12	Share placement – balance	2,208,334	0.048	106,000
27.06.12	Share placement plan	33,708,139	0.048	1,617,991
30.06.12	Costs assoc. with share issued			(492,835)
30.06.12	**Closing Balance**	**1,421,607,960**		**99,803,875**

(B) OPTIONS

	No. of Options	
	2012	**2011**
The number of unissued ordinary shares relating to options not exercised at year end:		
Over shares in the Parent Entity:		
- Options exercisable on or before 30 September 2011 at $1.60	-	667,902
- Non-transferable options exercisable on or before 14 August 2011 at $9.00	-	423,750
- Non-transferable options exercisable on or before 9 November 2012 at $9.60	250,000	250,000
- Options exercisable on or before 30 September 2012 at 1 cent	61,166,667	70,500,000
- Options exercisable on or before 31 March 2015 at 11 cents	1,000,000	1,000,000
- Options exercisable on or before 31 August 2015 at 15 cents	1,000,000	-
- Options exercisable on or before 29 November 2015 at 15 cents	5,000,000	-
- Options exercisable on or before 29 November 2015 at 12 cents	500,000	-
- Options exercisable on or before 14 May 2015 at 6 cents	31,250,004	-
	100,166,671	**72,841,652**

(C) OPTION ISSUES

Date	Details	Number of Options	Exercise Price	Expiry Date
2012				
15.05.12	Issued in share placement	31,250,004	$0.06	14.05.12
2011				
12.08.11	Issued to key management personnel	1,000,000	$0.15	31.08.15
30.11.11	Issued to Director	5,000,000	$0.15	29.11.12
30.11.11	Issued to Director	500,000	$0.12	29.11.12

NOTE 21 CONTRIBUTED EQUITY (CONTINUED)

(D) OPTION EXERCISED

During the year a total of 9,333,333 options were exercised (2011: 68,500,000).

(E) OPTION EXPIRY

During the year 1,091,652 options expired unexercised (2011: 260,000).

(F) PERFORMANCE RIGHTS

	No. of Options	
	2012	2011
The number of unissued ordinary shares relating to performance rights not vested at year end:		
Over shares in the Parent Entity:		
- Performance rights vesting on 29 November 2012 and expiring 29 November 2015	166,666	-
- Performance rights vesting on 29 November 2013 and expiring 29 November 2015	166,667	-
- Performance rights vesting on 29 November 2014 and expiring 29 November 2015	166,667	-
	500,000	**-**

(G) PERFORMANCE RIGHTS ISSUES

Date	Details	Number of Options	Date vested and exercisable	Value per right at date of grant	Exercise Price	Expiry Date
2011						
30.11.11	Issued to Director	166,666				
29.11.12						
$0.081	$0.00	29.11.15				
30.11.11	Issued to Director	166,667				
29.11.13						
$0.081	$0.00	29.11.15				
30.11.11	Issued to Director	166,667				
29.11.14						
$0.081	$0.00	29.11.15				

(H) PERFORMANCE RIGHTS VESTED AND EXERCISABLE

During the year no performance rights vested

(I) PERFORMANCE RIGHTS EXPIRY

During the year no performance rights expired

(J) CAPITAL RISK MANAGEMENT

The group's objective when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

NOTE 21 CONTRIBUTED EQUITY (CONTINUED)

In order to maintain or adjust the capital structure, the group may issue new shares or sell assets to reduce debt. Consistently with others in the industry, the group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt.

During 2012, the group's strategy, which was unchanged from 2011, was to minimise debt. The gearing ratios at 30 June 2012 and 30 June 2011 were as follows:

	Notes	2012	2011
		$	$
Total borrowings	17,18,19	7,356,673	3,724,336
Less: cash and cash equivalents	7	2,121,068	3,036,586
Net debt		5,235,605	687,750
Total equity		21,123,004	19,812,761
Total capital		26,358,609	20,500,511
Gearing ratio		20%	3%

NOTE 22 RESERVES AND ACCUMULATED LOSSES

(A) RESERVES

	2012	2011
	$	$
Share-based payments reserve	2,954,754	2,743,256
	2,954,754	**2,743,256**
Movement		
Balance 1 July	2,743,256	2,700,235
Employee option expense	211,498	43,021
Balance 30 June	**2,954,754**	**2,743,256**

NATURE AND PURPOSE OF RESERVE

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

(B) MOVEMENTS IN ACCUMULATED LOSSES WERE AS FOLLOWS:

	2012	2011
	$	$
Balance 1 July	(78,515,881)	(74,579,628)
Net (loss) / profit for the year	(3,119,744)	(3,936,253)
Balance 30 June	**(81,635,625)**	**(78,515,881)**

NOTE 23 COMMITMENTS

(A EXPLORATION EXPENDITURE COMMITMENTS

In order to maintain rights of tenure to exploration tenements the Company and the Consolidated Entity are required to perform exploration work to meet the minimum expenditure requirements as specified by various governments.

Outstanding obligations are not provided for in the accounts and are payable:

	2012	2011
	$	$
Not later than 1 year	835,000	310,000
Later than 1 year but not later than 3 years	1,985,000	875,000
	2,820,000	**1,185,000**

(C) OPERATING LEASE COMMITMENTS

Future operating lease rentals not provided for in the financial statements and payable:

	2012	2011
	$	$
Not later than 1 year	24,044	122,946
Later than 1 year but not later than 2 years	-	20,491
	24,044	**143,437**

The Company entered into a non-cancellable lease agreement for its office premises for a term of 32 months, with rent payable monthly in advance. There are 2 months remaining in the term.

(D) FINANCE LEASE COMMITMENTS

The group has entered into a finance lease for its mining heavy fleet vehicles with a carrying amount of $1,250,936 expiring within three years. Under the terms of the lease, the group has the option to acquire the leased assets for $378,750 on expiry of the initial lease term or further the initial term for an additional 2 years. If the option is not exercised within the first 30 days after the date of expiration of the initial term, the option shall lapse and expire.

	2012	2011
	$	$
Commitments in relation to finance leases are payable as follows:		
Within one year	769,224	-
Later than one year but not later than five years	961,530	-
	1,730,754	**-**
Future finance charges	479,818	-
Recognised as a liability	1,250,936	-
Representing lease liabilities:		
Current	456,019	-
Non-Current	794,917	-
	1,250,936	**-**

NOTE 23 COMMITMENTS (CONTINUED)

(E) FORWARD TRADE FACILITY

On 17 November 2011 a forward trade facility was established with Credit Suisse International which was repayable in total by 797,127 ounces of Silver during the 2012 calendar year. The arrangement comprised :

- a commodity loan of $3,000,000, repayable by delivery of 102,768 ounces in 4 quarterly tranches of 25,692 ounces, beginning on 31 March 2012.
- a forward trade facility of 694,359 ounces, deliverable in monthly tranches at an average price of $33.77 AUD per ounce.

The Commodity loan has been accounted for as a prepayment of sales. The forward trade facility will be satisfied by delivery of the company's output and has therefore has not been accounted for as a derivative. The facility is secured by a fixed and floating charge over the assets of Texas Silver Mines Pty Ltd, including its mining leases and land holdings. Alcyone Resources Limited has provided a deed of cross guarantee.

The company has reduced this commitment during the year to 308,260 ounces as follows:

	Ag Oz
Opening Commodity Loan commitment – 17/11/11	102,768
Less	
Volume delivered – Commodity Loan repayment	51,384
Closing Commodity Loan commitment - 30/6/12	51,384
	Ag Oz
Opening forward trade commitment – 17/11/11	694,359
Less	
Volume delivered	144,145
Volume closed out on-market	293,338
Closing commitment - 30/6/12	256,876

The forward trades that were closed out on-market were effected in accordance with company policy as the result of a slower than anticipated ramp up in production. The financial settlement of this commitment generated a cash surplus of $172,997.

Average price of remaining ounces in the forward trade facility at 30 June 2012 is $33.85 per ounce.

The total commitment remaining at June 30, 2012 is 308,260 ounces.

The secured forward facility will remain in place in support of the operations of the company. As at the date of the Directors report the company has a commitment of 525,133 ounces.

NOTE 24 EVENTS OCCURRING AFTER THE REPORTING DATE

The company held a General Meeting of Shareholders on 4 July 2012. Based on shareholder approval at this meeting the following securities were issued to Directors:

Director	No Of Shares	No Of Options	No Of Performance Rights
Mr Charles Morgan(i)	10,416,666	5,208,333	-
Mr Ian McCubbing(ii)	-	500,000	500,000

(i) Issued under the placement announced on 7 May 2012 for the sum of $500,000

(ii) Issued as remuneration.

NOTE 25 RELATED PARTY TRANSACTIONS

WHOLLY-OWNED GROUP

The wholly-owned group and the consolidated entity consist of Alcyone Resources Ltd and its wholly-owned subsidiary, Texas Silver Mines Pty Ltd. Ownership interest in this subsidiary is set out in Note 34. The ultimate parent entity in the wholly-owned group and the consolidated entity is Alcyone Resources Ltd.

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

Transactions between Alcyone Resources Ltd and its subsidiary in the wholly-owned group during the year ended 30 June 2012 consisted of loan funds of $51,762 advanced by Alcyone Resources Ltd (2011: $15,510,810).

As at 30 June 2012 the subsidiary owed Alcyone Resources Ltd $65,306,627 (2011: $65,254,865). The loan has been fully provided for at 30 June 2012.

NOTE 25 RELATED PARTY TRANSACTIONS (CONTINUED)

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

OWNERSHIP INTERESTS IN RELATED PARTIES

Interests held in subsidiaries are set out in Note 34.

SHARED COSTS

The Group has an arrangement with Base Resources Limited in relation to office rent and associated outgoings where costs are shared on an equal basis. Base Resources Limited is a related party via a common director. Receipts associated with this arrangement totalled $48,858 for the financial year (2011: $84,340).Outstanding balances arising from related party transactions with Base Resources Limited at 30 June 2012 were $927 (2011: nil).

TRANSACTIONS WITH OTHER RELATED PARTIES.

The Group paid the amount of $1,512 during the financial year to Moonshadow Holdings, a company associated with Mr Andrew King, for services rendered by a consultant. A further $1,375 remained outstanding at 30 June, 2012 (2011:Nil).These transactions were made on normal commercial terms and conditions and at market rates.

Silver is used in the production of solar panels.

NOTE 26 KEY MANAGEMENT PERSONNEL DISCLOSURES

(A) KEY MANAGEMENT PERSONNEL COMPENSATION

	2012	2011
	$	$
Short-term employee benefits	1,152,977	697,497
Post-employment benefits	57,169	8,669
Share-based payments	303,257	43,021
	1,513,403	**749,187**

(B) EQUITY INSTRUMENT DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL

(I) OPTION HOLDINGS

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

2012						
Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors						
CW Morgan	-	5,000,000	-	-	5,000,000	2,000,000
AJ King	35,000,000	-	-	-	35,000,000	35,000,000
AL Richards	-	500,000	-	-	500,000	500,000
IJ McCubbing *(Appointed 17.02.12)*	-	-	-	-	-	-
Other key management personnel of the Group						
TA Harris	1,000,000	-	-	-	1,000,000	1,000,000
MA Reed	-	1,000,000	-	-	1,000,000	1,000,000
K Hart	-	-	-	-	-	-
	36,000,000	**6,500,000**	**-**	**-**	**42,500,000**	**39,500,000**

NOTE 26 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

2011						
Name	**Balance at the start of the year**	**Granted during the year as compensation**	**Exercised during the year**	**Other changes during the year**	**Balance at the end of the year**	**Vested and exercisable at the end of the year**
Directors						
CW Morgan	10,000,000	-	-	(10,000,000)	-	-
AJ King	35,000,000	-	-	-	35,000,000	35,000,000
EP de Mori *(resigned 06.05.11)*	7,000,000	-	-	-	7,000,000	7,000,000
AL Richards *(Appointed 06.05.11)*	-	-	-	-	-	-
Other key management personnel of the Group						
TA Harris *(Appointed 14.03.11)*	-	1,000,000	-	-	1,000,000	1,000,000
MA Reed *(Appointed 16.05.11)*	-	-	-	-	-	-
K Hart	-	-	-	-	-	-
	52,000,000	**1,000,000**	**-**	**(10,000,000)**	**43,000,000**	**43,000,000**

(II) PERFORMANCE RIGHTS HOLDINGS

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

2012						
Name	**Balance at the start of the year**	**Granted during the year as compensation**	**Exercised during the year**	**Other changes during the year**	**Balance at the end of the year**	**Vested and exercisable at the end of the year**
Directors						
CW Morgan	-	-	-	-	-	-
AJ King	-	-	-	-	-	-
AL Richards	-	500,000	-	-	500,000	-
IJ McCubbing *(Appointed 17.02.12)*	-	-	-	-	-	-
Other key management personnel of the Group						
TA Harris	-	-	-	-	-	-
MA Reed	-	-	-	-	-	-
K Hart	-	-	-	-	-	-
	-	**500,000**	**-**	**-**	**500,000**	**-**

NOTE 26 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

2011						
Name	**Balance at the start of the year**	**Granted during the year as compensation**	**Exercised during the year**	**Other changes during the year**	**Balance at the end of the year**	**Vested and exercisable at the end of the year**
Directors						
CW Morgan	-	-	-	-	-	-
AJ King	-	-	-	-	-	-
AL Richards *(Appointed 06.05.11)*	-	-	-	-	-	-
EP de Mori *(resigned 06.05.11)*	-	-	-	-	-	-
Other key management personnel of the Group						
TA Harris *(Appointed 14.03.11)*	-	-	-	-	-	-
MA Reed *(Appointed 16.05.11)*	-	-	-	-	-	-
K Hart	-	-	-	-	-	

(III) SHARE HOLDINGS

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

2012				
Name	**Balance at the start of the year**	**Received during the year on the exercise of options**	**Other changes during the year**	**Balance held directly at the end of year**
Directors				
CW Morgan	29,389,741	-	-	29,389,741
AJ King	35,700,000	-	312,500	36,012,500
AL Richards	-	-	-	-
IJ McCubbing *(Appointed 17.02.12)*	-	-	-	-
Other key management personnel of the Group				
TA Harris	500,000	-	(500,000)	-
MA Reed	-	-	-	-
K Hart	-	-	-	-
	65,589,741	**-**	**(187,500)**	**65,402,241**

NOTE 26 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

2011				
Name	**Balance at the start of the year**	**Received during the year on the exercise of options**	**Other changes during the year**	**Balance held directly at the end of year**
Directors				
CW Morgan	43,000,000	-	(13,610,259)	29,389,741
AJ King	35,000,000	-	700,000	35,700,000
EP de Mori *(resigned 06.05.11)*	5,250,000	-	(5,250,000)	-
AL Richards *(Appointed 06.05.11)*	-	-	-	-
Other key management personnel of the Group				
TA Harris *(Appointed 14.3.11)*	-	-	500,000	500,000
MA Reed *(Appointed 16.5.11)*	-	-	-	-
K Hart	-	-	-	-
	83,250,000	**-**	**(17,660,259)**	**65,589,741**

(C) LOANS TO DIRECTORS AND EXECUTIVES

No loans were made to Directors or other key management personnel of Alcyone Resources Ltd or of the consolidated entity, including their personally-related entities (2011: Nil).

(D) OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Alcyone Resources Ltd received an unsecured $1,250,000 short term loan from Seaspin Pty Ltd, a personally related party of Charles Morgan. The transaction was at arm's length on unsecured commercial terms, with interest at 5% over the bank bill reference rate. This loan was repaid by Alcyone Resources Ltd during the reporting period with fees and interest paid totalling $41,921.

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

NOTE 27 SHARE-BASED PAYMENTS

(A) INCENTIVE OPTIONS SCHEME AND PERFORMANCE RIGHTS PLAN

Options over shares in Alcyone Resources Ltd are granted under the Alcyone Resources Ltd Incentive Option Scheme and the Alcyone Resources Ltd Performance Rights Plan which were approved by shareholders at an Annual General Meeting of shareholders of the Company held on 25 November 2010. The Option Scheme and the Performance Rights Plan is designed to provide long term incentives for executives to deliver long term shareholder returns, and participation in the future growth of the Company. Under the Scheme participants are granted options which typically vest on issue with a strike price 50% above the market price. The Scheme allows the Company to issue free options to an eligible person. The options are exercisable at a fixed price in accordance with the Plan.

Performance Rights issued under the Plan are designed to ensure the retention of directors and key staff and have vesting periods of between 12 and 48 months, except under certain circumstances whereby Rights may be capable of exercise prior to the expiry of the vesting period. Participation in the Scheme is at the Board's discretion and no individual has a contractual right to participate in the Scheme or to receive any guaranteed benefits.

NOTE 27 SHARE-BASED PAYMENTS (CONTINUED)

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

Grant date	Date vested & exercisable	Expiry date	Exercise price	Value per option at date of grant*
March 2011	31 March 2011	31 March 2015	$0.11	$0.04
August 2011	12 August 2011	31 August 2015	$0.15	$0.05
November 2011	30 November 2011	29 November 2015	$0.15	$0.04
November 2011	30 November 2011	29 November 2015	$0.12	$0.04

** Value per option at date of grant is calculated using Black-Scholes Option Pricing mode at grant date*

Options granted under the Option Scheme carry no dividend or voting rights.

The exercise price of options is set at a premium to the price at which the company's shares are traded on the Australian Securities Exchange on the day of issue.

The Option Scheme rules contain a restriction on removing the 'at risk' aspect of the instruments granted to executives. Option Scheme participants may not enter into any transaction designed to remove the 'at risk' aspect of the instrument before it vests.

A) INCENTIVE OPTIONS SCHEME AND PERFORMANCE RIGHTS PLAN

Details of options issued under this scheme are as follows:

2012					
Name	**Number of Options granted during the year**	**Value of options at grant date ($)**	**Number of options vested during the year**	**Number of options lapsed during the year**	**Value of options at lapse date**
Directors					
CW Morgan	5,000,000	192,083	2,000,000	-	-
AL Richards	500,000	21,185	500,000	-	-
Other key management personnel					
TA Harris	-	-	-	-	-
MA Reed	1,000,000	49,489	1,000,000	-	-
	6,500,000	**262,757**	**3,500,000**	**-**	**-**

2011					
Name	**Number of Options granted during the year**	**Value of options at grant date ($)**	**Number of options vested during the year**	**Number of options lapsed during the year**	**Value of options at lapse date**
Directors					
CW Morgan	-	-	-	-	-
AL Richards	-	-	-	-	-
Other key management personnel					
TA Harris	1,000,000	43,021	1,000,000	-	-
MA Reed	-	-	-	-	-
	1,000,000	**43,021**	**1,000,000**	**-**	**-**

NOTE 27 SHARE-BASED PAYMENTS (CONTINUED)

Details of options under issue are as follows:

2012							
Grant Date	Exercise Date	Exercise Price	Balance at start of the year	Granted during the year	Expired during the year	Balance at end of the year	Exercisable at end of the year
30.11.11	29.11.15	$0.12	-	500,000	-	500,000	500,000
30.11.11	29.11.15	$0.15	-	5,000,000	-	5,000,000	2,000,000
12.08.11	31.08.15	$0.15	-	1,000,000	-	1,000,000	1,000,000
31.03.11	31.03.15	$0.11	1,000,000	-	-	1,000,000	1,000,000
14.10.06	14.08.11	$9.00	423,750	-	(423,750)	-	-
			1,423,750	**6,500,000**	**(423,750)**	**7,500,000**	**4,500,000**
Weighted average exercise price			**$0.21**	**$0.15**	**$0.28**	**$0.14**	**$0.14**

2011							
Grant Date	Exercise Date	Exercise Price	Balance at start of the year	Granted during the year	Expired during the year	Balance at end of the year	Exercisable at end of the year
31.03.11	31.03.15	$0.11	-	1,000,000	-	1,000,000	1,000,000
14.10.06	14.08.11	$9.00	423,750	-	-	423,750	423,750
27.11.07	29.11.10	$5.60	260,000	-	(260,000)	-	-
			683,750	**1,000,000**	**(260,000)**	**1,423,750**	**1,423,750**
Weighted average exercise price			**$0.39**	**$0.11**	**$5.60**	**$2.67**	**$2.67**

The weighted average remaining contractual life of options outstanding at reporting date is 3.29 years (2011: 2.99 years).

SHARES PROVIDED ON EXERCISE OF REMUNERATION OPTIONS

No shares were issued on exercise of options under a Share Option Plan during the year. No amounts are unpaid on any shares issued on the exercise of options.

For the year ended 30 June 2012 no options granted as remuneration were exercised by any directors or employees (2011: Nil).

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

Grant date	Date vested & exercisable	Expiry date	Exercise price	Value per option at date of grant*
November 2011	29 November 2012	29 November 2015	$0.00	$0.081
November 2011	29 November 2013	29 November 2015	$0.00	$0.081
November 2011	29 November 2014	29 November 2015	$0.00	$0.081

Performance rights granted under the Option Scheme carry no dividend or voting rights.

Details of performance rights issued under this scheme are as follows.

NOTE 27 SHARE-BASED PAYMENTS (CONTINUED)

2012								
Grant Date	Date vested	Expiry date	Value per option at grant date	Balance at start of the year	Granted during the year	Expired during the year	Balance at end of the year	Vested at end of the year
30.11.11	29.11.12	29.11.15	$0.081	-	166,666	-	166,666	-
30.11.11	29.11.13	29.11.15	$0.081	-	166,667	-	166,667	-
30.11.11	29.11.14	29.11.15	$0.081	-	166,667	-	166,667	-
		Total		**-**	**500,000**	**-**	**500,000**	**-**
Weighted average grant price				**-**	**$0.081**	**-**	**$0.081**	**-**

There was no performance rights issued during the 2011 reporting period. The weighted average remaining contractual life of performance rights outstanding at reporting date is 3.41 years (2011: Nil).

Shares provided on exercise of remuneration performance rights

No shares were issued on exercise of performance rights under a Performance Rights Plan during the year. For the year ended 30 June 2012 (2011: Nil) no performance rights granted as remuneration were exercised by any directors or employees.

(B) DIRECTORS' OPTIONS

Set out below are summaries of options granted to directors.

2012					
Name	Number of Options granted during the year	Value of options at grant date ($)	Number of options vested during the year	Number of options lapsed during the year	Value of options at lapse date
CW Morgan	5,000,000	192,083	5,000,000	-	-
AL Richards	500,000	21,185	500,000	-	-

There were no options issued to, or exercised by, directors during the 2011 reporting period. 5,500,000 options were issued to Directors in respect of the 2012 financial year. Options issued were performance based.

(C) FAIR VALUE OF OPTIONS GRANTED

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

NOTE 27 SHARE-BASED PAYMENTS (CONTINUED)

The model inputs for incentive options granted during the year are disclosed in the table below:

	2012	2012	2011
Exercise Price	$0.15	$0.12	$0.11
Grant date	12 August 2011	29 November 2011	30 March 2011
Expiry date	31 August 2015	29 November 2015	31 March 2015
Share price at grant date	$0.096	$0.081	$0.076
Expected price volatility	80%	80%	84%
Expected dividend yield	0%	0%	0%
Risk free interest rate	3.64%	3.64%	5.17%

All options are granted for no consideration and vest based on the Option Scheme rules.

(D) DIRECTORS' PERFORMANCE RIGHTS

Set out below are summaries of performance rights granted to directors.

2012					
Name	Number of performance rights granted during the year	Value of performance rights at grant date ($)	Number of performance rights vested during the year	Number of performance rights lapsed during the year	Value of performance rights at lapse date
Directors					
AL Richards	500,000	40,500	500,000	-	-

For further information refer to note 21.

There was no performance rights issued to directors during the 2011 reporting period.

The assessed fair value at grant date of performance rights granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using the share price of a fully paid Alcyone Resources Limited share as at the grant date on 30 November 2011.

(E) EXPENSES ARISING FROM SHARE-BASED PAYMENT TRANSACTIONS

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

	2012	2011	2012	2011
	No.	No.	$	$
Options issued	6,500,000	1,000,000	197,929	43,021
Rights issued	500,000	-	13,568	-
	7,000,000	**1,000,000**	**211,497**	**43,021**

NOTE 28 OPERATING SEGMENTS

SEGMENT INFORMATION

IDENTIFICATION OF REPORTABLE SEGMENTS

Management has determined, based on the reports reviewed by the Board to make strategic decisions, that the Group only has one reportable segment being the mineral exploration and development sector within Australia.

	2012	2011
	$	$
Reportable segment profit/(loss)	132,425	(296,059)
Reportable segment assets	22,817,140	23,775,266
Reportable segment liabilities	9,953,004	6,601,962
Reportable segment revenue is reconciled to total revenue as follows:		
Segment revenue	11,060,212	-
Corporate Revenue:		
Interest received	43,060	395,992
Gain on sale of plant and equipment	-	524,513
Gain on disposal of tenements	50,000	-
Sundry items	48,122	-
Total corporate revenue	141,182	920,505
Total revenue as per the Statement of Comprehensive Income	**11,201,394**	**920,505**
Reportable segment (loss) / profit is reconciled to total (loss)/profit as follows:		
Segment profit/(loss)	132,425	(296,059)
Corporate revenue	141,182	920,505
Corporate expenses:		
Corporate compliance, conference and promotion	(850,981)	(514,333)
Consulting fees	(220,493)	(302,171)
Employee benefit expense	(1,200,500)	(979,840)
Share based payment expense	(211,497)	(43,021)
Finance costs	(41,986)	(1,507,610)
Office rental and consumables	(272,746)	(153,763)
Repairs and maintenance	(199)	(4,317)
Creditor claims settled (dividend)	-	(600,000)
Depreciation and amortisation	(107,677)	-
Exploration expenditure written off	(242,250)	-
Other expenses	(245,022)	(455,644)
Total (loss)/profit as per the Statement of Comprehensive Income	**(3,119,744)**	**(3,936,253)**

NOTE 28 OPERATING SEGMENTS (CONTINUED)

	2012	2011
	$	$
Segment assets	29,117,179	23,775,266
Corporate assets:		
Cash and cash equivalents	1,591,581	3,036,066
Trade and other receivables	629,078	655,632
Property, plant and equipment	403,446	99,106
Investments	25,098	-
Total assets as per the Statement of Financial Position	**31,766,382**	**27,566,070**
Corporate liabilities:		
Financial liabilities	-	93,482
Provisions	114,162	-
Trade and other payables	576,212	1,057,865
Total liabilities as per the Statement of Financial Position	**10,643,378**	**7,753,309**

NOTE 29 AUDITORS' REMUNERATION

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms.

ASSURANCE SERVICES

	2012	2011
	$	$
1. Audit Services		
BDO Audit (WA) Pty Ltd	70,074	55,731
Total remuneration for audit services	**70,074**	**55,731**
Taxation Services		
BDO Corporate Tax (WA) Pty Ltd	-	3,500
Total remuneration for taxation services	**-**	**3,500**

NOTE 30 EARNINGS PER SHARE

	2012	2011
	$	$
Basic and diluted (losses) / earnings per share (cents per share)	(0.24)c	(0.39)c
The (loss) / profit used in calculating basic earnings per share is the net (loss) /profit for the year.	(3,119,744)	(3,936,253)
Weighted average number of shares used in the calculation of the basic EPS	1,326,432,993	1,015,677,383
The number of potential ordinary shares relating to options not exercised at year end. These potential ordinary shares are not dilutive, as conversion would decrease the loss per share	74,000,250	115,598,448
The number of potential ordinary shares relating to performance rights not exercised at year end. These potential ordinary shares are not dilutive, as conversion would decrease the loss per share	290,984	-

NOTE 31 CONTINGENCIES

CONTINGENT LIABILITIES

Other than the grant of two royalties pursuant to the terms of the Recapitalisation Deed executed on 27 July 2009 and approved by creditors on 6 August 2009, which when combined, equate to a 3% gross royalty on specified silver production there are no further contingent liabilities. The royalty is applicable during the royalty period which commences when the total cumulative production exceeds 1,000,000 ounces of Silver and expires when the total cumulative production exceeds 7,000,000 ounces of Silver. At this stage no value has been placed on this obligation.

This royalty is expected to become payable during the 2012/13 financial year.

NOTE 32 RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

(A) RECONCILIATION OF THE OPERATING LOSS AFTER INCOME TAX TO THE NET CASH FLOW FROM OPERATIONS:

	2012	2011
	$	$
Operating (loss) / profit after income tax	(3,119,744)	(3,936,253)
Adjustment for non-cash items:		
Gain on disposal of fixed assets	(147,859)	(524,513)
Loss on disposal of fixed assets	1,440	104,225
Non cash employee benefits	21,410	-
Depreciation and amortisation expense	1,761,860	191,834
Revenue offset against mineral development	7,135,408	-
Gain on disposal of investments (relates to investing activities)	(50,000)	-
Non-cash benefits expense – share based payments	211,497	43,021
Loss on disposal of exploration tenements	246,250	-
Fair value losses on financial assets at fair value through profit or loss	24,902	-
Change in operating assets and liabilities:		
Accounts payable and provisions	1,203,520	3,109,965
Amounts receivable	(378,320)	(819,579)
Inventories	(4,763,741)	(838,498)
Increase in other operating liabilities	151,157	-
Net cash inflow/(outflow) from operating activities	**2,297,780**	**(2,669,798)**

NON CASH FINANCING AND INVESTING ACTIVITIES

There were no non cash financing and investing activities.

NOTE 33 PARENT ENTITY DISCLOSURE

As at, and throughout, the financial year ending 30 June 2012 the parent company of the group was Alcyone Resources Limited.

	2012	2011
	$	$
Results of the parent entity		
(Loss) / profit for the period	(3,252,169)	(19,735,579)
Other comprehensive income	-	-
Total comprehensive result for the period	**(3,252,169)**	**(19,735,579)**
Financial position of the parent entity at year end		
Current assets	2,128,859	3,691,698
Non-current assets	554,146	805,730
Total assets	**2,683,005**	**4,497,428**
Current liabilities	617,699	3,630,854
Non-current liabilities	20,913	-
Total liabilities	**638,612**	**3,630,854**
Total equity of the parent entity comprising of :		
Share capital	99,803,875	95,585,386
Option reserve	2,954,754	2,743,256
Accumulated losses	(100,714,236)	(97,462,068)
Total Equity	**2,044,393**	**866,574**

The Parent Entity has not entered into any guarantees in relation to the debts of its Subsidiary.

The Parent Entity does not have any commitments for the acquisition of property, plant and equipment.

NOTE 34 SUBSIDIARIES

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

			Equity Holding	
	Country of	Class of	2012	2011
Name of Entity	Incorporation	Shares	%	%
Texas Silver Mines Pty Ltd	Australia	Ordinary	100	100

NOTE 34 DIVIDENDS

No dividends have been paid or declared since the start of the financial year, and the directors do not recommend the payment of a dividend in respect of the financial year ended 30 June 2012.

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 30 to 72, are in accordance with the Corporations Act 2001 and:

a) comply with Accounting Standards and other mandatory professional reporting requirements

b) are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in Note 1(a) to the financial statements;

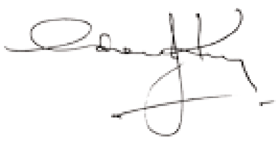
c) give a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the company and consolidated group; and

d) the audited remuneration disclosures included in the Directors' report for the year ended 30 June 2012, comply with section 300A of the Corporations Act 2001.

2. The Chief Executive Officer and Chief Finance Officer have provided the declarations as required by s295A of the Corporations Act 2001.

3. In the director's opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Andrew King
Managing Director
25 September 2012

BDO

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ALCYONE RESOURCES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Alcyone Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company entity and the entity it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

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

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

Independence

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


Silver is used in the manufacture of batteries.

Opinion

In our opinion:

(a) the financial report of Alcyone Resources Limited is in accordance with the *Corporations Act 2001*, including:
   - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
   - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

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

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Alcyone Resources Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

Peter Toll
Director

Perth, Western Australia
Dated this 25th day of September 2012

ASX ADDITIONAL INFORMATION

INFORMATION REQUIRED BY AUSTRALIAN SECURITIES EXCHANGE LIMITED AND NOT SHOWN ELSEWHERE IN THIS REPORT IS AS FOLLOWS:

STATEMENT OF QUOTED SECURITIES AS AT 5 OCTOBER 2012

a) Distribution of Shareholders

Size of Holding	Number of Shareholders	Number of Listed Option holders
1 – 1,000	1,638	0
1,001 – 5,000	1,328	0
5,001 – 10,000	1,286	2
10,001 – 100,000	5,301	186
100,001 and over	1,981	83
TOTAL	**11,534**	**271**
b) Number of holders of less than marketable parcels	3,566	5

c) There are have been no Substantial Shareholder notices received from shareholders as at the date of this report.

d) Twenty largest shareholders/option holders (as at 5 October 2012).

SHAREHOLDER

Name	Quantity	% of Total Holding
JP Morgan Nominees Australia Ltd	261,019,747	17.47
Mr Andrew J King	61,012,500	4.08
HSBC Custody Nominees (Australia) Ltd	55,469,193	3.71
Seaspin Pty Ltd	34,598,074	2.32
Golden Matrix Holdings Pty Ltd	23,000,000	1.54
Citicorp Nominees Pty Ltd	21,194,088	1.42
JP Morgan Nominees Australia Limited	14,242,755	0.95
Zero Nominees Pty Ltd	12,665,391	0.85
ABN AMRO Clearing	9,567,064	0.64
Mr Richard Milne Harris	9,5000,000	0.64
BBC Superannuation Pty Ltd	9,050,000	0.61
National Nominees Ltd	7,415,964	0.50
Bahuth Distribution Agency Pty Ltd	7,000,000	0.47
Mr Robert Galbraith	6,000,000	0.40
Falcore Pty Ltd	5,208,333	0.35
Ms Teik-Leng Lau	5,000,000	0.33
Mr Wilheim Kuhlmann	4,820,750	0.32
Mr Mark Comber	4,650,000	0.31
Mrs Jillian Elizabeth Harris	4,399,697	0.29
Mr Phillip Townsend	4,166,667	0.28
TOTAL	**559,980,223**	**37.48**

OPTIONHOLDER (EXPIRY DATE 14 MAY 2015)

Name	Quantity	% of Total Holding
HSBC Custody Nominees (Australia) Limited	11,251,953	21.63
JP Morgan Nominees Australia Limited	3,059,232	5.88
Seaspin Pty Ltd	2,604,167	5.01
Falcore Pty Ltd	2,604,166	5.01
Bergen Global Opportunity Fund II – LLC	2,083,600	4.01
Golden Matrix Holdings	2,000,000	3.85
National Nominees Limited	1,781,248	3.42
Zero Nominees Pty Ltd	1,656,250	3.18
Walloon Securities Pty Ltd	1,104,168	2.12
Mr Michael Kennnedy	1,000,000	1.92
Mr Paul Phillip Barclay	891,711	1.71
Mr Corrado Strazzaboschi	861,001	1.66
Pelrus Pty Ltd	781,250	1.50
Mr David Patton	663,828	1.28
Mr Matthew Dean Leeworthy	600,000	1.15
Graham Ball Pty Ltd	550,000	1.06
Mr Richard Milne Harris	500,000	0.96
Mr Paul Jackson	500,000	0.96
RSM Maintenance Services Pty Ltd	500,000	0.96
Mrs Blanche Naomi Stallbuam	450,000	0.87
TOTAL	**35,442,574**	**68.14**

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

STATEMENT OF UNQUOTED SECURITIES AS AT 5 OCTOBER 2012

There are on issue the following unquoted securities:-	Quantity
Options Exercisable at $9.60 per share on or before 09 November 2012	250,000
Non transferable options and performance rights issued under the Alcyone Resources Employee Incentive Option Plan and Performance Rights Plan:	
Options Exercisable at $0.11c per share on or before 31 March 2015	1,000,000
Options Exercisable at $0.15c per share on or before 31 August 2015	1,000,000
Options Exercisable at $0.15c per share on or before 29 November 2015	5,000,000
Options Exercisable at $0.12c per share on or before 29 November 2015	500,000
Options Exercisable at $0.06c per share on or before 4 July 2016	500,000
Performance share rights expiring 29.11.2015	500,000
Performance share rights expiring 29.11.2015	500,000

ALCYONE RESOURCES

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