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31 May 2013

Dear Shareholder

Alcyone Resources Limited - pro-rata non-renounceable rights issue

As announced on 30 May 2013, Alcyone Resources Limited (ACN 056 776 160) (**Alcyone** or **Company**) is undertaking a pro rata non-renounceable rights issue (**Rights Issue** or **Offer**) of 2 fully paid ordinary shares (**Shares**) for every 1 Share held by Eligible Shareholders at an issue price of \$0.005 per Shares to raise up to \$16,250,927. The Company will be offering 1 free attaching Option exercisable at \$0.01 on or before 31 July 2015 for every 2 Shares subscribed for under the Offer (**Options**). The minimum subscription to the Offer is \$6,000,000.

The Company lodged a prospectus for the Offer (**Prospectus**) with ASIC and ASX on 29 May 2013.

The Offer is conditional upon:

- a) the Company receiving minimum subscription of \$6,000,000 under the Offer;
- b) shareholders approving the terms of the Offer at a shareholder meeting scheduled for 11 July 2013, of which a notice of meeting is being drafted and sent to shareholders shortly;
- c) the Company obtaining \$2,500,000 in additional financing prior to the closing date of the Offer; and
- d) the Company entering into an off-take agreement and/or silver streaming agreement (details of which have been recently announced) and having at least \$2,000,000 of funding drawn down or unconditionally available at the closing date.

If these conditions are not met then the Company will refund all application money received (without interest) in accordance with the Corporations Act.

It is intended that the Company use the funds raised from the Offer for:

- a) repaying short term promissory notes owed by the Company;
- b) redeeming the convertible securities currently on issue by paying out the outstanding face value of the convertible securities (depending on the amount raised under the Offer);
- c) paying out creditors of the Company (depending on the amount raised under the Offer);
- d) plant and equipment upgrades at the Company's Texas Silver Project; and
- e) providing additional working capital.

For further details in relation to the Company's proposed use of funds refer to the Prospectus lodged with ASX on 29 May 2013, and available on the Company website at www.alcyone.com.au.

The Offer is being made to all shareholders of the Company named on its register of members at 5:00pm (WST) on 7 June 2013, whose registered address is in Australia, New Zealand, Germany, Hong Kong, Singapore, Switzerland, the United Kingdom or Thailand.

New Shares will rank equally with all fully paid ordinary shares in the capital of the Company already on issue, and the Company will apply for quotation of the Options on the ASX.

Assuming maximum subscription under the Offer, the Company will issue up to 3,250,185,432 Shares and 1,625,092,716 Options resulting in total Shares on issue of approximately 4,875,278,148 and total options of approximately 1,713,931,821.

Eligible Shareholders will be mailed a Prospectus together with an Entitlement and Acceptance Form no later than 14 June 2013. Your entitlement will be set out on the personalised Entitlement and Acceptance Form accompanying the Prospectus.

For the purposes of calculating each Eligible Shareholders' entitlement, fractions of entitlements have been rounded up to the nearest whole number of New Shares.

Actions required of Eligible Shareholders

There are a number of actions Eligible Shareholders may take.

- You may take up all or some of your rights to subscribe for Shares and Options pursuant to the Prospectus (**Entitlements**). To take up all or some of your Entitlements you will need to ensure your application money for the Entitlements you wish to take up is received by Computershare Investor Services Pty Ltd (**Share Registry**) by no later than 5:00pm on 24 July 2013, by either completing and returning your Entitlement and Acceptance Form together with your application money or making a payment by BPAY in accordance with the instructions on your Entitlement and Acceptance Form. Please note, you should ensure BPAY payments are received by no later than 4:00pm on 24 July 2013.
- You may subscribe for additional Shares and Options over and above your Entitlement, you may do so by completing the section of the Entitlement and Acceptance Form dedicated to shortfall applications and providing the appropriate application money or making a payment by BPAY. The directors of the Company reserve the right to issue any shortfall Shares and Option at their absolute discretion, therefore there is no guarantee that you will receive any shortfall Shares and Options applied for (application money will be refunded).
- You may do nothing. If you choose to do nothing with your Entitlements, while you will continue to hold the same number of Shares, your interest in the Company will be diluted and you will receive no value for your Entitlement.

Key dates for the Offer

Event	Proposed Date
Prospectus lodged with ASX and ASIC Appendix 3B lodged with ASX Notification sent to option holders	29 May 2013
Notice sent to Eligible and Ineligible Shareholders	31 May 2013
Ex date	3 June 2013
Record Date for determining Entitlements	7 June 2013
Notice of Meeting dispatched to Shareholders	11 June 2013
Prospectus despatched to Shareholders and Offer opens	14 June 2013
Shareholder Meeting to approve Offer	11 July 2013
Closing Date*	24 July 2013
Securities quoted on a deferred settlement basis	25 July 2013
ASX notified of under subscriptions	29 July 2013
Issue Date	31 July 2013
Despatch of holding statements	1 August 2013
Anticipated lifting of suspension of Securities is lifted and Quotation of Securities issued under the Offer*	2 August 2013

If you have any queries concerning the Rights Issue, or the action you are required to take to subscribe for Shares and Options, please contact your financial adviser or Mr Trevor Harris, Company Secretary, on +61 8 9476 3000.

Yours sincerely



Trevor Harris
Company Secretary