

Alcyone Secures A\$25 million from global hedge fund for growth strategy – makes first acquisition of US project

Highlights:

- Alcyone has entered into A\$25 million of financing agreements with Platinum Partners, a significant global hedge fund.
- Platinum Partners supports Alcyone strategy of building a world class portfolio of precious metals projects through acquisition/s of high grade / undervalued precious metals assets.
- As part of growth strategy, Alcyone has entered into agreement to acquire Platinum Partner's precious metals project - Red Arrow Mine - in Colorado, US, for A\$5 million
- Acquisition funded via Platinum Partner's financing (A\$4 million convertible loan note and A\$1 million in equity).
- Financing facility will enable consolidation of existing debt arrangements and fund future potential precious metals acquisitions.

Queensland precious metals producer Alcyone Resources (ASX: AYN) ("Alcyone" or "Company") is pleased to announce that New York based investment management firm, Platinum Partners ("Platinum"), has agreed to provide the Company with a A\$25 million revolving credit facility ("Credit Facility") to fund the Company's growth by way of value accretive acquisition opportunities in the precious metals space.

With completion of the crusher upgrade at Alcyone's silver mine at Texas in Queensland, which will enable the mine to now operate at nameplate production capacity, the Company is embarking upon a plan to aggressively build a world class portfolio of precious metals projects through the acquisition / consolidation of high grade / undervalued precious metals assets globally.

In line with this strategy, and with the support of Platinum, Alcyone has entered into agreements to acquire the Red Arrow Gold and Silver Mine ("Red Arrow Mine") in the US, for a total consideration of A\$5 million. The acquisition is to be funded by way of a A\$1 million equity issue with Platinum, completed on execution, and a A\$4 million convertible loan note, to be drawn on release and grant of security changes.

The equity issue, to be completed with AYN's existing placement capacity, consists of a placement of 200,000,000 shares at a price of A\$0.05 per share to Platinum. Terms of the convertible loan note can be found below.

The Red Arrow gold and silver mine is located 13 kilometres northeast of Mancos in the La Plata Mining District, Montezuma County, Colorado, US. The property consists of 370 acres of patented mining claims and 160 acres of unpatented mining claims. The mine has historically produced commercial grade gold and silver ore and according to an independent geological survey conducted in January 2010, has excellent potential for extensive commercial development. The mine has high concentrations of gold and silver, along with the existing mining infrastructure which remains in excellent condition. The mine location is ideal, located with excellent access to well-maintained logistical infrastructure.

The Red Arrow Dome is a major geological structure in the area and has the potential to be developed into a significant gold, silver, copper and platinum group metals resource in addition to ore production.

The balance of the credit facility will be used to fund future potential acquisitions in the precious metals sector and to consolidate existing financing agreements.

Commenting on the finalisation of the financing package and the acquisition of the Red Arrow project, Alcyone's Non-Executive Chairman Paul D'Sylva said: "With our silver mine in Queensland now running at a 1.1Mtpa nameplate capacity, our plans going forward with Platinum Partners are to build a portfolio of high-value precious metals mining interests. Through the acquisition of the Red Arrow Mine in a renowned mining area of Colorado, we are well placed to add a second world class precious metals project to our portfolio, which has excellent development potential, with high gold and silver concentrations and nearby access to a maintained public road system.

With a new A\$25 million credit facility in place, we are now in a position to step up the process of reviewing a number of investment opportunities in partnership with Platinum Partners that will expand and diversify the business beyond a single mine and enhance its revenues and earnings. The lack of liquidity in the junior resources sector has created a number of high value opportunities for businesses with access to capital. Platinum Partners' investment into Alcyone of their capital and private assets, positions the Company in a very strong position to exploit these market opportunities."

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Key Funding Terms for Credit Facility Agreement

- Total credit facility amounts to A\$25 million.
- A maturity date of 36 months from the closing date.
- A 9% interest rate is set on all outstanding advances under the loan.
- A default interest rate is set at 10%.
- A commitment fee paid by the borrower of 0.22% per month on maximum credit amount payable.
- Interest can be paid in cash or shares upon election.

Key Funding Terms for Convertible Loan Note

- Convertible loan notes with an aggregate face value of A\$4 million.
- The borrower will issue shares to the lender equating to A\$1 million on the issue date of the loan notes.
- A maturity date of 36 months from the issue date.
- A default interest rate is set at 15%.
- The conversion price of the loan notes will be the lesser of A\$0.01 per share or 80% of the average daily VWAPs over the 10 day period on which trading in shares occurred immediately prior to the date the conversion notice is delivered to the Company.

About the Red Arrow Mine

The Red Arrow Mine is a narrow vein stock work structure which historically has produced grades in excess of one ounce per tonne ore from small scale hand-held mining operations on limited tonnages. An exciting opportunity exists for Alcyone to introduce modern and established mining and processing techniques in order to mechanise the ore production utilising best Australian mining practices to extract the maximum benefit of a high grade asset.

The Red Arrow mine is in an established mining district supported by good infrastructure and suppliers. Mining costs are significantly less in the US as the main cost drivers of power, labour and equipment are considerably less than Australia.

Independent studies have indicated to Alcyone that there is a profitable mine based on previous schedules which Alcyone believes has underrated the mining extraction. The real upside for Alcyone is the potential for self-funded growth supported by positive cash flow from the mine to commence exploration activity identified by the Colorado State Geological Survey Board as having high potential for repeat structures.

“The Red Arrow vein occupies one of a series of discontinuous normal faults that strike and nearly due east and dip south. They are believed to represent a westward extension of the Parrot fault system, and there are probably several more in addition to the three shown.”

Source

Geology and Ore Deposits of the La Planta District Colorado

By Edwin B Eckel with sections by J.S Williams, FW Galbraith and others

Geological Survey Professional Paper 219

Prepared in cooperation with the Colorado State Geological Survey Board and the Colorado Metal Mining Fund