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29 May 2013

Dear Option holder

Alcyone Resources Limited - pro-rata renounceable rights issue

As announced on 29 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.

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.

The Shares issued under the Offer will rank equally with all fully paid ordinary shares in the capital of the Company (**Shares**) already on issue. The Company will apply for quotation of the Options on the ASX.

Under the Rights Issue, the maximum number of Shares to be issued is 3,250,185,432, resulting in total Shares on issue of approximately 4,875,278,148.

Option holders

The terms and conditions of the options you currently hold do not entitle you to participate in the Rights Issue unless you exercise your options in time for Shares to be issued and entered on the Company's register of members on or before 5:00pm (WST) on 7 June 2013 (**Record Date**).

To exercise your options and thereby participate in the Rights Issue, you will need to deliver the following to the Computershare Investor Services Pty Ltd (the Company Share Register) at GPO Box 505 Melbourne VIC 3000, Australia:

- (a) a notice of exercise of options (attached to this letter);
- (b) an option certificate (where the options are certificated) or a copy of a holding statement (where the options are uncertificated) in respect of those options to be exercised; and
- (c) payment for the exercise price in respect of those options to be exercised by way of a cheque made payable to "Alcyone Resources Limited".

To ensure that your Shares are issued prior to the Record Date, the above must be received by Computershare Investor Services Pty Ltd **no later than** 4:00pm (WST) on 5 June 2013. If received after this date, allotment of new Shares prior to the Record Date cannot be assured.

Before deciding whether to exercise any or all of your options, you should read the Prospectus in its entirety.

This notice is important and requires immediate attention. If you have any queries concerning the Rights Issue, or the action you are required to take to subscribe for new Shares under the Rights Issue, please contact your financial adviser or Trevor Harris, Alcyone's Company Secretary, on +61 8 9476 3000.

Yours sincerely

Trevor Harris
Company Secretary