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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.

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 used 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.

Ineligible shareholders

A Shareholder who has a registered address outside Australia, New Zealand, Germany, Hong Kong, Singapore, Switzerland, the United Kingdom or Thailand (**Ineligible Shareholder**) will not be eligible to participate in the Offer.

You are not eligible to participate in the Offer and you will not be sent a copy of the Prospectus. This decision has been made pursuant to Listing Rule 7.7.1(a) of the ASX Listing Rules after taking into consideration the costs of complying with legal and regulatory requirements in jurisdictions outside of Australia, New Zealand, Germany, Hong Kong, Singapore, Switzerland, the United Kingdom and Thailand compared with the small number of Ineligible Shareholders and the number and value of Shares and Options to which they would otherwise be entitled.

If you have any queries concerning the Rights Issue, please contact your financial adviser or Mr Trevor Harris, Company Secretary, on +61 8 9476 3000.

Yours sincerely



Trevor Harris
Company Secretary