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CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholder,

I have recently taken on the role of Chairman of Alcyone Resources Limited (ASX: AYN) ("Alcyone") (the "Company") and would like to take this opportunity to introduce myself. I have substantial mining and energy capital markets experience and have been involved in funding a diverse range of resource companies. I have taken on this role with the sole intention of turning around Alcyone and creating a profitable company with a simplified and robust financial structure.

A key step in this process is the non-renounceable pro-rata Entitlements Offer recently announced by the Company. The Entitlements Offer will give you the opportunity to subscribe for three New Shares for every two Shares you currently hold at an issue price of 0.6 cents per share. You will also receive one free July 2015 Option exercisable at one cent for every two Shares held.

You will receive a prospectus in the coming weeks providing details of your rights to participate in the Entitlements Offer, along with a notice of meeting as the Entitlements Offer is subject to shareholder approval.

After careful deliberation, the Company's newly appointed Board has taken the view that this Entitlements Offer is the most appropriate and fair structure for the Company to raise the additional equity capital required to recapitalise the Company and turn around its Texas Silver mining project.

What has become very apparent to me as your new Chairman is that there is a considerable level of support from you, the shareholders, who are the owners of Alcyone. There are in fact some 11,500 shareholders who, if each was to subscribe for a minimum of \$1,225, the Offer would in fact be fully subscribed and the Company would in turn be in a particularly strong position to move forward. The Prospectus will include a shortfall application form which will allow shareholders to apply for shares in excess of what their entitlement might actually be and to the extent that shareholders wish to subscribe for additional shares we would encourage them to do so on the shortfall application form.

Your support of this Offer will allow the Company to simplify and de risk its funding framework with straight equity and a single non-equity facility in the form of a \$10 million pre-pay facility.

The Entitlements Offer is being managed by Patersons Securities Limited and is seeking to raise a maximum of some \$14 million (before costs).

Our key focus is restoring shareholder value and this Entitlement Offer will provide a number of benefits to the Company including the following:

- repayment and consolidation of Alcyone's funding arrangements;
- simplifying the Company's funding framework – up to A\$14M straight equity with a A\$10M rolling pre-pay facility;
- funding key operational improvements at the Texas Silver Operations including execution of the previously announced improvements to the crushing circuit, as well as construction of a new power line and purchase of key mining equipment; and
- additional working capital for the Company.

The newly appointed Board and senior management team have managed to achieve a number of key deliverables in recent weeks, including, the completion of \$2.3M in bridge funding, the close-out of the Company's hedge position and repayment of the \$1.6M Credit Suisse Pre-pay Facility and release of security ahead of schedule, and substantial progress towards the completion of a \$10M debt facility with a global resources investment fund. In addition, we have been able to increase cash-flows from operations by ramping-up weekly production and reducing corporate overheads even before implementing the required operational improvements. It is expected that these improvements will further lower unit costs and increase production levels therefore improving operating margins.

Our Company's key Texas Silver project is in production and has the potential to deliver very strong earnings and cash flows if we can get the processes right. Despite two one in one hundred year floods, plant constraints and unfortunate Board and management issues last year, we still managed to produce 439,000 ounces of silver in the six months to 31 December 2012.

The Board believe that with a successful capital raising that enables the implementation of operational improvements, Alcyone will be well positioned to achieve targeted annual silver production levels in excess of 1Moz and in turn deliver on its goal of restoring shareholder value with a strong financial position and simplified funding framework.

To ensure availability of adequate working capital over the coming months before close of the Entitlement Offer, the Board has progressed interim funding arrangements that will provide access to funding if required for working capital purposes.

The Company has established a A\$10 million standby line of funding. The financing has been completed with funding provided by Celtic Capital Pty Ltd. Under the terms of the standby line of funding, Celtic Capital has committed to invest up to A\$10 million into the Company over a three year period. There is no obligation for the Company to utilise this facility during this period, nor does it prevent the Company from undertaking any other capital raisings. The facility does not have any penalties for non-usage or termination. The facility is not expected to be retained following completion of the Entitlements Issue.

The Board is also progressing documentation to complete a A\$10 million rolling pre-pay facility. This facility will be retained following completion of the Entitlement Offer and would only be used to the extent required dependent on the final quantum of new equity capital raised.

The Board is confident of what needs to be done to turn your Company around and we are taking the steps we need to. We believe it is appropriate to give our loyal shareholders the opportunity to support the Company at a discounted price through this Entitlement Offer.

We believe the Entitlement Offer represents an excellent opportunity for shareholders to participate in the strengthening of Alcyone's financial situation, upside from our flagship silver project and to position our Company for revenue growth and strong shareholder returns under the guidance of your newly appointed Board and a focused management team with a clear strategic plan.

In the coming weeks you will receive a copy of the Prospectus setting out the details of the Entitlement Offer. As completion of the capital raising will require shareholder approval, a Notice of Meeting will also be issued at this time. The Company will remain in voluntary suspension until completion of the capital raising expected in early June 2013.

We encourage you to align with the Board of Directors and take up your Entitlement in the upcoming Offer as we look forward to a strong future for our Company.

Yours faithfully



Dr Paul D'Sylva
Chairman
23 April 2013