



PRO-RATA NON-RENOUNCEABLE RIGHTS ISSUE

As previously announced on 15 April 2013, Alcyone Resources Limited (ASX:AYN) (**Alcyone** or the "**Company**") is proposing to undertake a pro rata non-renounceable entitlement issue (**Entitlement Issue** or **Offer**) of fully paid ordinary shares in the capital of the Company (**Share**), along with free attaching options exercisable at \$0.01 per option on or before 21 July 2015 (**Options**).

The terms of the Entitlement Offer have been updated to an offer of two (2) Shares for every one (1) Share held by eligible shareholders at the Record Date at an issue price of \$0.005 per Share, along with one (1) free attaching Option for every 2 Shares subscribed for, to raise up to a maximum of \$16,250,927 (excluding costs of the Offer). A Prospectus in relation to the Offer was lodged with the ASIC and ASX on 29 May 2013 (**Prospectus**).

The Company has engaged Patersons Securities Limited ("Patersons") as lead manager to the Offer.

The Offer is conditional upon:

- (a) the Company receiving a 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. A notice of meeting will be 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 monies received (without interest) in accordance with the Corporations Act.

The funds raised under the Offer will be used towards:

- (a) redeeming the Company's Convertible Securities (including promissory/bridge notes) by paying out amounts owing under the Convertible Securities (depending on the amount raised under the Entitlement Offer);
- (b) paying out creditors of the Company (depending on the amount raised under the Entitlement Offer);
- (c) plant and equipment upgrades at the Company's Texas Silver Project; and
- (d) providing additional working capital.

Participation in the Entitlement Issue is available to all eligible Alcyone Shareholders registered at 5.00pm (WST) on the record date of 7 June 2013 (**Record Date**) with a registered address in Australia, New Zealand, Germany, Hong Kong, Singapore, Switzerland, the United Kingdom or Thailand (**Eligible Shareholders**).

Optionholders who wish to participate in the Offer must exercise their options, and be entered onto the register as a Shareholder by 5:00pm (WST) on 3 June 2013.

Based on the current capital structure of the Company, up to 3,250,185,432 Shares and 1,625,092,716 Options will be issued pursuant to the Offer.

Shares issued under the Offer will rank equally with all existing fully paid ordinary shares in the the Company, and the Company will apply for official quotation of the Options.

A proposed timetable for the Offer is as follows:

Lodgement of Prospectus with the ASIC	29 May 2013
Lodgement of Prospectus & Appendix 3B with ASX	29 May 2013
Notice sent to Optionholders	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 Entitlement Offer opens	14 June 2013
Shareholder Meeting to approve Entitlement 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 Entitlement Offer*	2 August 2013

*The Directors may extend the Closing Date by giving at least 6 Business Days notice to ASX prior to the Closing Date and may vary other dates without notice. As such the date the Securities are expected to commence trading on ASX may vary.

For further details of the Offer, including details of the timetable, key risks of the Offer, use of funds, and effect of the Offer on the Company, please refer to the Prospectus as released on the Company ASX announcement platform and available on the Company's website. The Prospectus will also be despatched to Eligible Shareholders.

A prospectus and an Appendix 3B in relation to the Entitlement issue follow.

Yours Sincerely



Trevor Harris

Company Secretary

ALCYONE RESOURCES LIMITED

ACN 056 776 160

ENTITLEMENT ISSUE PROSPECTUS

For a non-renounceable entitlement issue of 2 Shares for every 1 Share held by those Eligible Shareholders registered at the Record Date at an issue price of \$0.005 per Share to raise up to approximately \$16,250,927 (based on the number of Shares on issue as at the date of this Prospectus) together with 1 free attaching Option exercisable at \$0.01 on or before 31 July 2015 for every 2 Shares subscribed for and issued (**New Option**) (the **Entitlement Offer**).

This Prospectus contains an offer of up to 195,011,126 New Options to Patersons (or its nominee) as fees for services performed by Patersons as Lead Manager (**Broker Offer**). Refer to section 5.4 of this Prospectus for further details of the Broker Offer.

This Prospectus contains an offer of 36,000,000 New Options to Celtic Capital (or its nominee) as fees for the Company subscribing for the Celtic Convertible Securities (**Celtic Offer**). Refer to section 5.5 of this Prospectus for further details of the Celtic Offer.

The Offers are conditional upon the Company satisfying a number of conditions set out at section 5.2 of this Prospectus. If these conditions are not satisfied prior to the Closing Date, then all application monies received by the Company in relation to the Offers will be refunded (without interest) in accordance with the provisions of the Corporations Act.

IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Shares and New Options offered by this Prospectus should be considered as speculative.

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1. CORPORATE DIRECTORY

Directors

Mr Michael Reed (Managing Director)
Dr Paul D'Sylva (Non-Executive Chairman)
Mr Tim Morrison (Non-Executive Director)

Company Secretary and CFO

Mr Trevor Harris

Registered Office

Level 1
46-50 Kings Park Road
West Perth WA 6005

Telephone: + 61 8 9476 3000
Facsimile: +61 8 9322 8912

Email: info@alcyone.com.au
Website: www.alcyone.com.au

Share Registry*

Computershare Investor Services Pty
Limited
Level 2, Reserve Bank Building,
45 St Georges Terrace
Perth WA 6000

Telephone: (Australia) 1300 850 505
Telephone: (Overseas) +61 (0)3 9323 2000
Facsimile: +61 8 9323 2033

Auditor*

BDO Audit (WA) Pty Ltd
38 Station St
Subiaco WA 6008

Solicitors

Steinepreis Paganin
Lawyers and Consultants
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

Lead Manager

Patersons Securities Limited
Level 23, Exchange Plaza,
2 The Esplanade
Perth WA 6000

* This entity is included for information purposes only. It has not been involved in the preparation of this Prospectus and has not consented to being named in this Prospectus.

2. INDICATIVE TIMETABLE

Lodgement of Prospectus with the ASIC	29 May 2013
Lodgement of Prospectus & Appendix 3B with ASX	29 May 2013
Notice sent to Optionholders	29 May 2013
Notice sent to Eligible and Ineligible Shareholders	31 May 2013
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*The Directors may extend the Closing Date by giving at least 6 Business Days notice to ASX prior to the Closing Date and may vary other dates without notice. As such the date the Securities are expected to commence trading on ASX may vary.

3. IMPORTANT NOTES

3.1 General

This Prospectus is dated 29 May 2013 and was lodged with the ASIC on that date. The ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Securities may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary. The Shares and New Options the subject of this Prospectus should be considered highly speculative.

Applications for Securities offered pursuant to this Prospectus can only be submitted on an original Entitlement and Acceptance Form or Shortfall Application Form.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

3.2 Key Risks

Potential investors should be aware that subscribing for Securities in the Company involves a number of risks. The key risk factors of which investors should be aware are set out below with additional risks specified in Section 8 of this Prospectus. These risks together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Shares and New Options in the future.

The following is a summary of the key risk factors (please refer to Section 8 of this Prospectus for a more extensive list of risk factors):

(a) **Additional Financing for Operational Plans**

The minimum subscription for the Entitlement Offer is \$6,000,000, and is conditional on the Company entering into a \$10,000,000 Off-take Agreement or Silver Stream Agreement and having at least \$2,000,000 of funding drawn down or unconditionally available at the Closing Date under one of these agreements.

While the Board believes that this should enable the Company to meet its short to medium term objectives, it will not be sufficient funds for the Company to execute all of its operational plans.

To implement those plans, the Company will be reliant upon additional funding via the Equity Placement Facility or by drawing down the remainder of the \$10,000,000 under the Off-take Agreement or Silver Stream Agreement currently being negotiated by the Company.

The ability of the Company to further draw down funds under the Off-take Agreement is conditional upon the Company paying off the initial draw down amount (\$2,500,000) via the production and delivery of silver from the Company's projects. Based on current production rate, the Board believes that the Company will be able to pay-off the outstanding amounts under the Off-take Agreement prior to the Company needing additional funding. However if the Company's production is delayed for any reason, this will delay the Company's ability to draw down further funding under the Off-take Agreement.

If the Company is unable to draw down on the Equity Placement Facility or an Off-take Agreement/Silver Stream Agreement when required, the Company will need to raise additional funds to execute all of its operational plans. The Company may not be able to successfully raise additional financing after the close of the Entitlement Offer. The Company's failure to raise capital, if and when needed, could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities.

(b) Drawdown of Equity Placement Facility

The Company's right to draw down funds under the Equity Placement Facility is subject to a number of conditions summarised at section 9.6 of this Prospectus.

These conditions include (amongst others), the Company having sufficient placement capacity under ASX Listing Rule 7.1 to issue Shares, and the Shares to be issued to Celtic Capital being freely tradeable on ASX.

In order to have sufficient placement capacity, Shareholders will have to approve the issue of Shares under the Equity Placement Facility, or ratify the prior issue of securities by the Company, at the Shareholder Meeting. In order for the Shares to be freely tradeable on ASX the Company will have to issue a cleansing prospectus under section 708A (11) of the Corporations Act in relation to those Shares.

If the Company is unable to meet any of these conditions, then the Company will be unable to require draw down under the Equity Placement Facility and the Company may need to obtain funding from alternate sources.

(c) Default risk – Debt and Convertible Security Agreements

The Company is currently a party to a number of debt financing agreements and convertible security agreements summarised at section 9 of this Prospectus.

Under these agreements, the Company has obligations to either repay outstanding amounts owed by the Company on the relevant due dates, or issue Shares upon receipt of a conversion notice (subject to Shareholder approval). These agreements also have a number of other provisions and negative covenants that the Company must adhere to.

Should the Company default on its obligations under any of these agreements (including the Company failing to obtain Shareholder approval for the issue of Shares on conversion of certain Convertible Securities), the relevant debtor may demand immediate repayment, and may trigger cross defaults in respect of the Company's other debt and equity agreements.

In addition, if the Company defaults on its obligations under the Bergen Debt Security, the cash amount outstanding in respect of the Bergen Debt Security will automatically increase by \$300,000.

Should a default occur, and the Company is unable to raise sufficient funds or otherwise cure the defaults, the Company's creditors may seek immediate repayment of the debts and, if secured, enforce their security and sell some or all of the Company's assets, and this may result in the Company being insolvent.

(d) **Default Risk**

The Company currently has a number of agreements on foot or being negotiated, of which, include royalty, debt, equity and off-take/ silver streaming agreements. These agreements are subject to certain negative covenants that can restrict the operations of the Company without obtaining the relevant parties consent under the specific agreement.

The Company has recently been involved in a fast flow of events in recent times which stems from the Company's operational difficulties (in part due to unexpected issues with the availability of the drill & blast contractor and, cyclonic rains that recently hit south-east Queensland) and the Company's immediate need for additional financing.

The Board has been striving to keep all the relevant parties to these agreements fully informed and obtained necessary consents when required. Due to the large number of agreements that the Company is currently a party to, there is a risk that the Company may have inadvertently breached some of these agreements.

If there is an inadvertent material breach under any of these agreements which is not capable of remedy, the relevant party may wish to enforce its rights which could have a material adverse effect upon the Company and possibly lead the Company being insolvent.

Due to the fact that the Board has been working closely with these relevant parties in order to make this Entitlement Offer, the Board is confident that it would be able to remedy or work around any such breach.

(e) **Dilution Risk – Entitlement Offer and Broker Offer**

Upon implementation of the Entitlement Offer and Broker Offer, assuming all Entitlements are accepted and no Shares are issued or Options or Convertible Securities are exercised prior to the Record Date, the number of Shares in the Company will increase from 1,625,092,716 currently on issue to 4,875,278,148.

Shareholders should also note that at the conclusion of the Entitlement Offer and Broker Offer there will be up to an additional 1,820,103,842

New Options on issue (including the issue of 1,820,103,842 Broker Options and assuming full subscription). If all New Options issued under the Entitlement Offer and Broker Offer are subsequently exercised, an additional 1,820,103,842 Shares will be issued.

Shareholders who do not participate in the Entitlement Offer will have their current Shareholding significantly diluted.

(f) **Dilution Risk – Convertible Securities and Equity Placement Facility**

As at the date of this Prospectus, the Company currently has two convertible securities and 1,800,002 convertible debt securities on issue with a combined face value of \$4,975,000 (**Convertible Securities**). If the Entitlement Offer is fully subscribed, the Company intends to fully redeem these Convertible Securities using funds raised from the Entitlement Offer. For further details in relation to use of funds, refer to section 6.1 of this Prospectus.

If the Entitlement Offer is undersubscribed, the Company will not have enough cash to fully redeem the Convertible Securities and some of them may be converted into Shares. Each is convertible (subject to Shareholder approval, which is being sought at the Shareholder Meeting) into Shares at the election of the holder at various discounts to the market VWAP of Shares prior to conversion.

In addition, the Company may seek to draw down funds under the Equity Placement Facility (if available).

Shareholders will have their shareholding significantly diluted if, and to the extent, these Convertible Securities are converted (assuming Shareholder approval is obtained) and the Equity Placement Facility is drawn down. The terms of the Convertible Securities currently on issue and the Equity Placement Facility are summarised at section 9 of this Prospectus.

(g) **Dilution Risk – Additional Securities**

Shareholders should also note that the Company intends issuing a substantial number of Shares, Options and Performance Rights to various financiers and Directors, subject to receiving Shareholder approval at the Shareholder Meeting scheduled for 5 July 2013. Shareholders will be substantially diluted if all of these Shares are issued and if the Options and Performance Rights are issued and exercised or converted. Further details are provided in the Notice of Meeting provided to Shareholders.

(h) **Future Capital Requirements**

If the Company is unable to generate sufficient cash surplus from operations, and/ or use debt or equity to fund its future capital expenditure programs there can be no assurances that the Company will be able to obtain additional fundraising on terms acceptable to the Company or at all. Any future additional equity financing may be dilutive to shareholders and any debt financing if available may involve restrictive covenants, which may limit the Company's operations and business strategy.

The ability of the Company to continue as a going concern and to meet planned and committed expenditure requirements is subject to

the Company successfully exploiting the investments and mining projects owned by the Company and/or obtaining equity or debt capital as required.

There is no assurance that the Company will be able to successfully raise sufficient funds in order to develop its assets or meet its financing repayment obligations.

The Company's failure to raise capital, if and when needed, could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities, and could lead to the Company being insolvent.

(i) **Silver price volatility and exchange rate**

The Company commenced silver production in 2011 at its flagship Texas Silver & Polymetallic Project in south-east Queensland. The revenue it will derive through the sale of silver exposes the potential income of the Company to price and exchange rate risks. Silver prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for precious metals, technological advancements, forward selling activities and other macro-economic factors.

Furthermore, international prices of silver are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

(j) **Silver - Operating and Development Risks**

The Company's ability to achieve production, development, operating cost and capital expenditure estimates on a timely basis cannot be assured. The business of silver mining involves many risks and may be impacted by factors including ore tonnes, yield, input prices (some of which are unpredictable and outside the control of the Company), overall availability of free cash to fund continuing development activities, labour force disruptions, cost overruns, changes in the regulatory environment and other unforeseen contingencies. Other risks also exist such as environmental hazards (including discharge of pollutants or hazardous chemicals), industrial accidents and occupational and health hazards. Such occurrences could result in damage to, or destruction of, production facilities, personal injury or death, environmental damage, delays in mining, increased production costs and other monetary losses and possible legal liability. The Company may become subject to liability for pollution or other hazards against which it has not insured or cannot insure, including those in respect of past mining activities for which it was not responsible.

In addition the Company's profitability could be adversely affected if for any reason its production of silver or mine development is unexpectedly interrupted or slowed. Silver production at the Company's Texas Silver Project has recently been hampered by equipment failures, lack of availability of drill rigs, heavy rainfall and flooding. These events have adversely affected the silver production from the mine and consequently adversely affected the financial position of the Company,

including its ability to meet pre-paid deliveries. These are examples of such events that have, and could in future, adversely impact on the Company's production and processing.

Other general examples of possible adverse events include unscheduled plant shutdowns or other processing problems, mechanical failures, the unavailability of materials and equipment, pit slope failures, unusual or unexpected rock formations, poor or unexpected geological or metallurgical conditions, poor or inadequate ventilation, failure of mine communication systems, poor water condition, interruptions to gas and electricity supplies and human error.

The risks outlined above also mean that there can be no assurances as to the future on-going development of the mining operation in relation to any of the Company's projects described in this Prospectus or which the Company may acquire in the future.

(k) **Equipment and availability**

The Company's ability to undertake mining and exploration activities is dependent upon its ability to source and acquire appropriate mining equipment. Equipment is not always available and the market for mining equipment experiences fluctuations in supply and demand. If the Company is unable to source appropriate equipment economically or at all then this would have a material adverse effect on the Company's financial or trading position.

(l) **Reliance on key personnel**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

3.3 Foreign Jurisdictions

This Entitlement Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

The Entitlement Offer is not being extended and Shares and New Options will not be issued to Shareholders with a registered address which is outside Australia, New Zealand, Germany, Hong Kong, Singapore, Switzerland, the United Kingdom or Thailand. It is not practicable for the Company to comply with the securities laws of overseas jurisdictions (other than those mentioned above) having regard to the number of overseas Shareholders, the number and value of Shares and New Options these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction.

For further details in relation to foreign jurisdictions please refer to section 5.14 of this Prospectus.

European Economic Area - Germany

The information in this document has been prepared on the basis that all offers of Shares and New Options will be made pursuant to an exemption under the Directive 2003/71/EC (**Prospectus Directive**), as implemented in Member States

of the European Economic Area (each, a **Relevant Member State**), from the requirement to produce a prospectus for offers of securities.

An offer to the public of Shares and New Options has not been made, and may not be made, in a Relevant Member State except pursuant to one of the following exemptions under the Prospectus Directive as implemented in that Relevant Member State:

- (a) to legal entities that are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose main business is to invest in financial instruments;
- (b) to any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000; (ii) annual net turnover of at least €40,000,000 and (iii) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);
- (c) to any person or entity who has requested to be treated as a professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2004/39/EC, **MiFID**);
- (d) to any person or entity who is recognised as an eligible counterparty in accordance with Article 24 of the MiFID;
- (e) to fewer than 150 natural or legal persons (other than qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive) subject to obtaining the prior consent of the Company and any underwriter for any such offer; or
- (f) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Shares and New Options shall result in a requirement for the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

Hong Kong

WARNING: The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

New Zealand

The Shares and New Options are not being offered or sold to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand and to whom the Offer is being made in reliance on the *Securities Act (Overseas Companies) Exemption Notice 2002* (New Zealand).

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the *Securities Act 1978* (New Zealand). This document is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

Singapore

This document and any other materials relating to the Shares and New Options have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Shares and New Options may not be issued, circulated or distributed, nor may the securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the **SFA**), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are an existing holder of the Company's shares. In the event that you are not such a shareholder, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Shares and New Options being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares and New Options. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

Switzerland

The Shares and New Options may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (**SIX**) or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the Shares and New Options may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the Shares and New Options have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of securities will not be supervised by, the Swiss Financial Market Supervisory Authority (**FINMA**).

This document is personal to the recipient only and not for general circulation in Switzerland

United Kingdom

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Services Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (**FSMA**)) has been published or is intended to be published in respect of the Shares and New Options.

This document is issued on a confidential basis to fewer than 150 persons (other than "qualified investors" (within the meaning of section 86(7) of FSMA)) in the United Kingdom, and the Shares and New Options may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or

any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 FSMA) received in connection with the issue or sale of the Shares and New Options has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) FSMA does not apply to the Company.

Thailand

This document is not intended to be an offer, sale or invitation for subscription or purchase of securities in Thailand. This document has not been registered as a prospectus with the Office of the Securities and Exchange Commission of Thailand. Accordingly, this document and any other documents and material in connection with the offer, sale or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public or any members of the public in Thailand.

United States

This document may not be released or distributed in the United States. This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this document have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.

3.4 Forward-looking statements

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of our Company, the Directors and our management.

We cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

We have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new

information, future events or any other factors affect the information contained in this prospectus, except where required by law.

These forward looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in sections 3.2 and 8 of this Prospectus.

3.5 Exposure Period

This Prospectus will be circulated during the Exposure Period. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. You should be aware that this examination may result in the identification of deficiencies in this Prospectus and, in those circumstances, any application that has been received may need to be dealt with in accordance with Section 724 of the Corporations Act. Applications for Shares and Options under this Prospectus will not be processed by the Company until after the expiry of the Exposure Period. No preference will be conferred on applications lodged prior to the expiry of the Exposure Period.

4. CHAIRMAN'S LETTER

Dear Shareholder,

As you are no doubt aware, Alcyone Resources Limited (**Alcyone**) has experienced some operational difficulties in recent times. Production at its flagship Texas Silver & Polymetallic Project in south-east Queensland in the first quarter of 2013 was lower than anticipated, in part due to unexpected issues with the availability of the drill & blast contractor and, cyclonic rains that recently hit south-east Queensland.

The Company has since undertaken a review of the Texas operations and identified additional operational and capital improvements that should enable the Company to increase throughput and enhance future mining fleet availability. However, in order to implement these improvements, the Company needs access to significant additional funding.

As announced to the Australian Securities Exchange (**ASX**) on 28 May 2013, Alcyone Resources is pleased to provide this Prospectus and Entitlement and Acceptance Form in relation to the non-renounceable entitlement offer (**Entitlement Offer**) that is being lead and managed by Paterson Securities Limited (**Patersons**).

The Entitlement Offer will provide all Shareholders with the opportunity to subscribe for Company Shares on a 2 for 1 basis at \$0.005 per Share with 1 free attaching New Option exercisable at \$0.01 on or before 31 July 2015 for every 2 shares subscribed for and issued.

Official quotation of the Shares and New Options by the ASX is anticipated to occur on or around 2 August 2013, along with the lifting of the suspension of trading of the Company's securities on the ASX.

Apart from seeking to raise additional funds through the Entitlement Offer under this Prospectus, the Company is in negotiations to secure additional funding as follows.

Sources of Funding	Funding Amount
Bridge Debt Financing	Up to \$2,500,000
Off-take Agreement	A\$10,000,000, proposed to be available to the Company via staged pre-payments satisfied by the Company's silver production.
Silver Stream Agreement	US\$10,000,000 up front plus a discounted amount for 15% of the Company's production at Texas Project over the life of the mine.

The Company estimates it will need to obtain additional funding of \$2,500,000 before the Entitlement Offer is completed in order to meet its anticipated expenditure commitments. The Company anticipates it will secure this funding through a short-term bridge debt financing arrangement, similar to that it has recently secured with Bergen, in the coming weeks. This is a condition of the Offers and if the Company does not secure this additional funding prior to the Closing Date then all application money will be returned in accordance with the Corporations Act.

Assuming this bridge debt financing can be secured, the Company expects to be able to meet its short to medium term objectives if the minimum subscription of \$6,000,000 under the Rights Issue is raised provided a \$10,000,000 Off-take Agreement or Silver Stream Agreement (currently being negotiated by the Company) can be executed and drawn down.

It is a condition of the Offers that the Company enters into one of these agreement and has at least \$2,000,000 of funding drawn down or unconditionally available at the Closing Date under one of these agreements. As such, the Offers will not proceed unless this condition is satisfied. The Offers are also conditional on Shareholders approving the Rights Issue at the Shareholder Meeting scheduled for 11 July 2013.

The Board also invites all Shareholders to apply for Shortfall Shares and New Options. If each Shareholder in the Company applies for approximately \$1,453 worth of Shares, the Entitlement Offer will be fully subscribed. Should Shareholders wish to subscribe for additional Shares and New Options above their Entitlement they can do so by filling in the area on their Entitlement and Acceptance Form that is designated to the Shortfall, and by paying the applicable Shortfall application money.

If fully subscribed, the Entitlement Offer will raise approximately \$16.25 million (before costs) and, along with the other previously announced capital initiatives relating to the realisation of Alcyone's hedge book, silver purchase agreement and pre-pay and off-take facility (if agreed), the Company will have sufficient capital to upgrade key plant and equipment, retire existing debt and retain a strong working capital position. These initiatives are described in more detail in the Alcyone Investor Presentation available on the Company's ASX website, and at www.alcyone.com.au.

The proceeds from the Entitlement Offer will be used towards:

- (a) redeeming the Company's Convertible Securities (including promissory/bridge notes) by paying out amounts owing under the Convertible Securities (depending on the amount raised under the Entitlement Offer);
- (b) paying out creditors of the Company (depending on the amount raised under the Entitlement Offer);
- (c) plant and equipment upgrades at the Company's Texas Silver Project; and
- (d) providing additional working capital.

Further details in relation to the Company's use of funds, including a specific break down, and details of the apportionment of funds in the event of under subscription, is set out in Section 6.1 of this Prospectus.

Investors should be aware that subscribing for Shares and New Options in the Entitlement Offer involves a number of specific risks associated with financing, mining, operations, exploration activities, commodity prices, insolvency and default risks. Details of these specific risks are set out in sections 3.2 and 8 of this Prospectus.

By taking up your Entitlements, Shareholders will have the opportunity to participate in the strengthening of Alcyone's financial situation and the potential upside from the improvements which the Company is seeking to implement at the Company's flagship Texas Silver Project.

The Board of Directors encourage you to take up your Entitlement under the Entitlement Offer and take this opportunity to thank all shareholders for their continued support as we continue to develop the Company.

Yours faithfully,

Dr Paul D'Sylva
Non-executive Chairman

5. DETAILS OF THE OFFERS

5.1 The Entitlement Offer

The Entitlement Offer is being made as a non-renounceable entitlement issue of 2 Shares for every 1 Share held by Shareholders registered at the Record Date at an issue price of \$0.005 per Share, together with 1 free attaching New Option for every 2 Shares subscribed for and issued. Fractional entitlements will be rounded up to the nearest whole number of Shares and/or New Options (as the case may be).

Based on the capital structure of the Company as at the date of this Prospectus, (and assuming no existing Options, Performance Rights or Convertible Securities are exercised prior to the Record Date) a maximum of 3,250,185,432 Shares and 1,625,092,716 New Options will be issued pursuant to this Entitlement Offer to raise up to \$16,250,927. An additional 195,011,126 New Options will be issued under the Broker Offer (assuming maximum subscription). No funds will be raised from the issue of the New Options.

As at the date of this Prospectus the Company has 88,839,105 Options on issue all of which may be exercised prior to the Record Date in order to participate in the Entitlement Offer. Please refer to section 6.4 of this Prospectus for information on the exercise price and expiry date of the Options on issue.

All of the Shares offered under this Prospectus will rank equally with the Shares on issue at the date of this Prospectus. Please refer to section 7.1 for further information regarding the rights and liabilities attaching to the Shares.

All of the New Options offered under this Prospectus will be issued on the terms and conditions set out in section 7.2 of this Prospectus.

All Shares issued on conversion of the New Options will rank equally with the Shares on issue at the date of this Prospectus.

The purpose of the Entitlement Offer and the intended use of funds raised are set out in section 6.1 of this Prospectus.

5.2 Minimum subscription

The minimum subscription to be raised pursuant to the Entitlement Offer is \$6,000,000.

If the minimum subscription is not raised within four (4) months after the date of this Prospectus, or such longer period as is permitted by the Corporations Act, none of the Shares and New Options offered under the Offer under this Prospectus will be allotted or issued. In these circumstances, all applications will be dealt with in accordance with the Corporations Act.

5.3 Broker Offer

This Prospectus includes a separate offer to Patersons (or its nominees) in consideration for brokerage services in relation to the Entitlement Offer, 6% of the total number of Shares issued under the Entitlement Offer, being up to 195,011,126 New Options (**Broker Offer**). The New Options will be issued on the terms and conditions set out at section 7.2 of this Prospectus.

Only Patersons or its nominees may accept the Broker Offer. Accordingly, do not complete the Broker Offer Acceptance Form unless you are directed to do so by Patersons.

5.4 Celtic Offer

This Prospectus includes a separate offer of 36,000,000 New Options to Celtic Capital (or its nominees) in consideration for Celtic Capital paying \$1,200,000 and subscribing for the Celtic Convertible Securities. For further details in relation to the terms of the Celtic Convertible Securities refer to section 9.4 of this Prospectus.

The Company will apply for the 36,000,000 New Options to be quoted on ASX. They will be issued on the terms and conditions set out at section 7.2 of this Prospectus.

The Celtic Offer is personal to Celtic Capital (or its nominee) and as such do not complete the Celtic Acceptance Form unless you are directed to do so by Celtic Capital.

5.5 Conditions of the Offers

None of the Offers will proceed unless the conditions set out below are satisfied:

(a) Shareholder Approval

The Company has sought and received a conditional waiver from ASX in relation to Listing Rule 7.11.3 to allow the Company to undertake the Entitlement Offer.

Listing Rule 7.11.3 provides that the ratio of securities offered by a listed entity for a pro rata issue must not be greater than one security for each security held, unless the offer is renounceable and the issue price is not more than the average market price for the securities in that class, calculated over the last 5 days on which the sales in securities were recorded before the day on which the pro rata issue was announced.

As the Entitlement Offer is non-renounceable and involves a ratio of two-for-one (2:1) Shares, plus a one-for-two (1:2) free attaching New Option, the Company has made application for, and ASX have granted, a conditional waiver of Listing Rule 7.11.3.

This waiver is conditional on the Company obtaining shareholder approval in relation to the Entitlement Offer at the shareholder meeting to be held before completion of the Entitlement Offer. A Notice of Meeting will be announced on the Company ASX announcement platform and sent to Shareholders shortly after this Prospectus is lodged with ASIC.

The Offers are conditional upon Shareholders approving the Entitlement Offer at the Shareholder Meeting which is currently scheduled for 11 July 2013.

(b) Short Term Debt Bridging Agreement

The Company is currently in discussions with a number of parties with a view to securing additional funding, both short and long term (by way of debt or equity). In order to meet the Company's short term expenditure

obligations, the Company estimates that it requires additional financing of \$2,500,000 before the Entitlement Offer is completed.

While the Company anticipates it will secure this funding in the coming weeks, if the Company is unable to secure this additional financing during May and June 2013, this could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities, and could lead to the Company becoming insolvent.

To reduce the above risk of insolvency for potential investors, the Company has decided to make the Offers conditional upon the Company obtaining \$2,500,000 in additional financing prior to the Closing Date.

(c) **Off-take/Silver Stream Agreement**

As previously announced on the ASX on 28 March 2013, 15 April 2013 and 30 April 2013, the Company is currently in negotiations with a third party in relation to a rolling \$10,000,000 purchase and off-take agreement under which the Company will repay outstanding amounts via delivery of silver from the Company's projects (**Off-take Agreement**).

As previously announced on the ASX on 17 May 2013, the Company has entered into a non-binding term sheet in relation to a metal streaming agreement under which the Company may receive up to \$10,000,000 in consideration for the Company providing 15% of the silver produced from the Company's current projects at a discount to market price (**Silver Stream Agreement**). The Silver Stream Agreement is conditional upon the Company entering into a formal binding agreement.

Assuming minimum subscription under the Entitlement Offer (\$6,000,000), the Board believes that the Company will be reliant upon funds being available or capable of draw down under at least one of these agreements at the Closing Date to meet the Company's short to mid term obligations and objectives. As such, the Offers are conditional upon the Company entering into one or both of the Off-take Agreement or Silver Stream Agreement and having at least \$2,000,000 of funding drawn down or unconditionally available at the Closing Date under one of these agreements.

(d) **Effect of Unsatisfied Conditions**

If the Offers do not become unconditional within four (4) months after the date of this Prospectus, or such longer period as is permitted by the Corporations Act, none of the Shares and New Options offered under the Offers under this Prospectus will be issued. In these circumstances, all applications will be dealt with in accordance with the Corporations Act.

5.6 Acceptance

Your acceptance of the Entitlement Offer must be made on the Entitlement and Acceptance Form accompanying this Prospectus or by completing a BPAY® payment, in accordance with the instructions referred to in this Prospectus and on the Entitlement and Acceptance Form. Your acceptance must not exceed your Entitlement (as shown on that form) unless application is made for the Shortfall in the prescribed area on the Entitlement and Acceptance Form (refer to section 5.6 of this Prospectus for further details of the Shortfall). If your

acceptance does exceed your Entitlement (unless applied for under the Shortfall), your acceptance will be deemed to be for your maximum Entitlement and any surplus money will be refunded.

You may participate in the Entitlement Offer as follows:

- (a) if you wish to accept your **full** Entitlement:
 - (i) complete the Entitlement and Acceptance Form; and
 - (ii) attach your cheque, drawn on an Australian bank or bank draft made payable in Australian currency, for the amount indicated on the Entitlement and Acceptance Form; or
 - (iii) pay the appropriate application monies at \$0.005 per Share through the BPAY® facility described below. If you make your payment by BPAY®, you do not need to return the Entitlement and Acceptance Form; or
- (b) if you only wish to accept **part** of your Entitlement:
 - (i) fill in the number of Shares you wish to accept in the space provided on the Entitlement and Acceptance Form; and
 - (ii) attach your cheque, drawn on an Australian bank or bank draft made payable in Australian currency, for the appropriate application monies (at \$0.005 per Share); or
 - (iii) pay the appropriate application monies at \$0.005 per Share through the BPAY® facility described below. If you make your payment by BPAY®, you do not need to return the Entitlement and Acceptance Form; or
- (c) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

There is no need to indicate the number of New Options being applied for on the Entitlement and Acceptance Form. The New Options are free and will be calculated and issued by the Company on the basis of the number of Shares subscribed for under the Entitlement Offer.

Should you wish to apply for more than your Entitlement, please follow the procedure outlined in Section 5.6 below.

5.7 Shortfall Offer

Any Entitlement not taken up pursuant to the Entitlement Offer will form the Shortfall Offer. The Shortfall Offer is open to all investors.

Eligible Shareholders may apply for additional Shares (free attaching New Options included) under the Shortfall by completing the prescribed area on the Entitlement and Acceptance Form designated to the Shortfall and by paying the appropriate application monies in accordance with the instructions set out in the Entitlement and Acceptance Form.

Additionally, other investors who are not currently Shareholders who wish to participate in the Shortfall, may apply for Shares and New Options using the

Shortfall Acceptance Form by following the instructions set out on the Shortfall Acceptance Form.

The Shortfall Offer is a separate offer made pursuant to this Prospectus and will remain open for up to three months following the Closing Date. The issue price for each Share to be issued under the Shortfall Offer shall be \$0.005 being the price at which Shares have been offered under the Entitlement Offer (including 1 free attaching New Option for every 2 Shares subscribed for and issued).

The Directors reserve the right, in consultation with the Lead Manager, to issue Shortfall Securities at their absolute discretion. As such there is no guarantee that participating parties will receive any additional Shares applied for under the Shortfall. The Directors reserve the right to allot to an applicant a lesser number of Shares than the number, for which the applicant applies, or to reject an application, or to not proceed with placing the Shortfall. In that event, application monies (without interest) will be refunded by the Company in accordance with the provisions of the Corporations Act.

5.8 Payment by cheque/bank draft

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to **"Alcyone Resources Limited"** and crossed **"Not Negotiable"**.

Your completed Entitlement and Acceptance Form and cheque must reach the Company's share registry at the address below no later than 5:00 pm WST on the Closing Date:

Alcyone Resources Limited
C/- Computershare Investor Services Pty Limited
GPO Box 505 Melbourne VIC 3000, Australia.

5.9 Payment by BPAY®

For payment by BPAY®, please follow the instructions on the Entitlement and Acceptance Form. You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions. Please note that should you choose to pay by BPAY®:

- (a) you do not need to submit the Entitlement and Acceptance Form but are taken to have made the declarations on that Entitlement and Acceptance Form; and
- (b) if you do not pay for your Entitlement in full, you are deemed to have taken up your Entitlement in respect of such whole number of Shares which is covered in full by your application monies.

It is your responsibility to ensure that your BPAY® payment is received by the share registry by no later than 4:00pm (WST) on the Closing Date. You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment and you should therefore take this into consideration when making payment. Any application monies received for more than your final allocation of Shares (only where the amount is \$1.00 or greater) will be refunded. No interest will be paid on any application monies received or refunded.

The Entitlement Offer is non-renounceable. Accordingly, a Shareholder may not sell or transfer all or part of their Entitlement.

5.10 Underwriting

The Entitlement Offer is not underwritten.

5.11 Dilution and Effect on control of the Company

Shareholders should note that if they do not participate in the Entitlement Offer, their holdings are likely to be diluted by approximately 200% (assuming full subscription under the Entitlement Offer and no other Shares being issued) as compared to their holdings and number of Shares on issue as at the date of the Prospectus.

Shareholders should also note that at the conclusion of the Entitlement Offer and Broker Offer there will be up to an additional 1,820,103,842 New Options on issue (including the issue of the Broker Options and assuming full subscription). If all New Options issued under the Entitlement Offer and Broker Offer are subsequently exercised, an additional 1,820,103,842 Shares would be issued thereby causing the shareholdings of non-participating Shareholders to be diluted by an additional 112% and taking the total dilution effect to 312%. If all New Options offered under the Entitlement Offer and Broker Offer are exercised then the Company would receive an additional \$18,201,038 in additional funds.

Examples of how your Share holding may be diluted (assuming no New Options are exercised) is set out in the table below:

Holder	Holding as at Record date	% at Record Date	Entitlements under the Offer	Holdings if Offer not taken Up	% post Offer
Shareholder 1	250,000,000	15.38%	500,000,000	250,000,000	5.13%
Shareholder 2	100,000,000	6.15%	200,000,000	100,000,000	2.05%
Shareholder 3	25,000,000	1.54%	50,000,000	25,000,000	0.51%
Shareholder 4	10,000,000	0.62%	20,000,000	10,000,000	0.205%
Shareholder 5	1,000,000	0.06%	2,000,000	1,000,000	0.021%
Total	1,625,092,716	100%	3,250,185,432	1,625,092,716	33.33%

Notes:

1. This table is intended to show the dilution effect that the Entitlement Offer could potentially have on Shareholders and as such does not take into account Shares that may be independently issued by the Company after the Record Date but before completion of the Entitlement Offer. Any such issue of Shares would further dilute the holdings of Shareholders but would not be as a result of the Entitlement Offer.
2. This assumes the Entitlement Offer is fully subscribed and that no Options or Convertible Securities are exercised (including New Options offered under the Offers).
3. The dilutionary effect shown in the table is the maximum percentage on the assumption that those Entitlements not accepted are placed under the Shortfall Offer. In the event all Entitlements are not accepted and some or all of the resulting Shortfall was not subsequently placed, the dilution effect for each Shareholder not accepting their Entitlement would be a lesser percentage.

5.12 Lead Manager

Patersons Securities Limited (**Lead Manager**) has been appointed as lead manager to the Entitlement Offer. The terms of the appointment of the Lead Manager are summarised in section 9.7 of this Prospectus.

5.13 ASX listing

Application for Official Quotation of the Securities offered pursuant to this Prospectus will be made in accordance with the timetable set out at the commencement of this Prospectus. If ASX does not grant Official Quotation of the Securities offered pursuant to this Prospectus before the expiration of 3 months after the date of issue of the Prospectus, (or such period as varied by the ASIC), the Company will not issue any Securities and will repay all application monies for the Securities within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Securities is not to be taken in any way as an indication of the merits of the Company or the Securities now offered for subscription.

5.14 Allotment

Securities issued pursuant to the Offers will be allotted in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus.

Securities issued pursuant to the Shortfall Offer will be allotted on a progressive basis. Where the number of Shares issued is less than the number applied for, or where no allotment is made surplus application monies will be refunded without any interest to the Applicant as soon as practicable after the closing date of the Shortfall Offer.

Pending the allotment and issue of the Securities or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

Holding statements for Securities issued under the Entitlement Offer will be mailed in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus and for Shortfall Securities issued under the Shortfall Offer as soon as practicable after their issue.

5.15 Overseas shareholders

The Entitlement Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of Shares these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offer is not being extended and Shares will not be issued to Shareholders with a registered address which is outside Australia, New Zealand, Germany, Hong Kong, Singapore, Switzerland, the United Kingdom or Thailand.

The Entitlement Offer is being made in New Zealand pursuant to the Securities act (Overseas Companies) Exemption Notice 2002.

Shareholders resident in Australia, New Zealand, Germany, Hong Kong, Singapore, Switzerland, the United Kingdom or Thailand holding Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up an Entitlement under the Entitlement Offer does not breach regulations in the

relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

5.16 Enquiries

Any questions concerning the Offers should be directed to Mr Trevor Harris, Company Secretary, on +61 8 9476 3000.

6. PURPOSE AND EFFECT OF THE OFFERS

6.1 Purpose of the Offer

The purpose of the Entitlement Offer is to raise up to approximately \$16,250,927. No funds will be raised from the issue of the New Options.

The funds raised from the Entitlement Offer are planned to be used in accordance with the table set out below:

	\$6M Raising (minimum)	\$10M Raising	\$16.25M Raising (maximum)
	\$M	\$M	\$M
Repay Promissory Notes ¹	3.0	3.0	3.0
Redeem outstanding Convertible Securities ²	-	-	3.20
Plant and Equipment upgrades ³	0.50	3.00	3.00
Creditor Payments ⁴	-	0.22	2.89
Costs of the Entitlement Offer ⁵	0.53	0.78	1.16
Working Capital	1.97	3.00	3.00
TOTAL	6.00	10.00	16.25

Notes:

1. This refers to the repayment of the Bergen Debt Security summarised at section 9.5 of this Prospectus and the Celtic Convertible Debt Securities summarised at section 9.4 of this Prospectus.
2. This refers to redemption of the remaining outstanding Convertible Securities (being the First Bergen Convertible Security, Second Bergen Convertible Security, Third Bergen Convertible Security, and YA Global Convertible Securities). The outstanding Convertible Securities will be redeemed if the maximum subscription (\$16.25 million) is raised under the Entitlement Offer.
3. The Company intends to spend a minimum of \$500,000 towards increasing the crushing circuit capacity at the Texas Silver Project, with any additional funds for plant and equipment upgrades being applied towards cost saving initiatives.
4. These funds will be used to reduce existing royalty and trade creditor liabilities and improve the Company's payment terms.
5. Refer to section 10.7 of this Prospectus for further details relating to the estimated expenses of the Entitlement Offer.

The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

On completion of the Entitlement Offer, the Board believes the Company will have sufficient working capital to meet its objectives and expenditure obligations.

However, if only the minimum subscription is raised (\$6,000,000) under the Entitlement Offer then the Company will be reliant upon additional funding via the Off-take Agreement or the Silver Stream Agreement currently being negotiated by the Company. It is a condition of the Offers that such an agreement is signed and at least \$2,000,000 of funding is either drawn down or unconditionally available at the Closing Date under such an agreement.

6.2 Effect of the Entitlement Offer

The principal effect of the Entitlement Offer, assuming all Entitlements are accepted and no Options are exercised prior to the Record Date, will be to:

- (a) increase the cash reserves by \$15,098,367 (after deducting the estimated expenses of the Entitlement Offer) immediately after completion of the Entitlement Offer;
- (b) increase the number of Shares on issue from 1,625,092,716 as at the date of this Prospectus to 4,875,278,148 Shares following completion of the Entitlement Offer (this figure is intended to show the effect of the Entitlement Offer only and as such does not include other Shares that may be issued independent of the Entitlement Offer); and
- (c) increase the number of Options on issue from 88,839,105 as at the date of this Prospectus to 1,820,103,842 Options following completion of the Entitlement Offer (this includes New Options to be issued to Patersons (or their nominee) under the Broker Offer, but does not include any other Options that may be issued independent of the Entitlement Offer).

6.3 Pro-forma balance sheet

The unaudited balance sheet as at 1 May 2013 and the unaudited pro-forma balance sheet as at 1 May 2013 shown below have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position.

The pro-forma balance sheet (\$16.25 million) has been prepared assuming all Entitlements are accepted, the \$2.5 million bridge funding has been received prior to the Closing Date, and \$2 million has been draw down or is available to the Company under the Off-take Agreement or Silver Stream Agreement prior to the Closing Date. The alternate pro-forma balance sheets (\$6 million and \$10 million) have been prepared on the same basis, with a minimum of \$6 million subscription, and a \$10 million subscription. In all cases, no Options are exercised prior to the Record Date and the expenses of the Entitlement Offer are included.

The pro-forma balance sheet has been prepared to provide investors with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

	UNAUDITED 1-May-13	PROFORMA 1-May-13 (6m raised)	PROFORMA 1-May-13 (10m raised)	PROFORMA 1-May-13 (16.25m raised)
CURRENT ASSETS				
Cash and Cash Equivalents ¹	\$128,699	\$7,602,968	\$11,353,674	\$17,220,894
Trade and other receivables	\$217,517	\$217,517	\$217,517	\$217,517
Prepayments	\$244,874	\$244,874	\$244,874	\$244,874
Inventory	\$6,987,013	\$6,987,013	\$6,987,013	\$6,987,013
TOTAL CURRENT ASSETS	\$7,578,103	\$15,052,372	\$18,803,078	\$24,670,298
NON-CURRENT ASSETS				
Receivables	\$2,141,642	\$2,141,642	\$2,141,642	\$2,141,642
Property, plant and equipment	\$11,435,921	\$11,435,921	\$11,435,921	\$11,435,921
Finance lease asset	\$971,887	\$971,887	\$971,887	\$971,887
Investments	\$17,569	\$17,569	\$17,569	\$17,569
Mineral exploration and evaluation expenditure	\$6,295,051	\$6,295,051	\$6,295,051	\$6,295,051
Mineral development expenditure	\$5,005,513	\$5,005,513	\$5,005,513	\$5,005,513
TOTAL NON-CURRENT ASSETS	\$25,867,583	\$25,867,583	\$25,867,583	\$25,867,583
TOTAL ASSETS	\$33,445,686	\$40,919,955	\$44,670,661	\$50,537,881
CURRENT LIABILITIES				
Trade and other payables	\$5,290,611	\$2,290,611	\$2,290,611	\$2,290,611
Provisions	\$420,854	\$420,854	\$420,854	\$420,854
Convertible note loan ¹	\$1,200,000	\$2,400,000	\$2,400,000	\$2,400,000
Finance lease liabilities	\$369,056	\$369,056	\$369,056	\$369,056
Financial liabilities	\$0	\$2,000,000	\$2,000,000	\$2,000,000
TOTAL CURRENT LIABILITIES	\$7,280,521	\$7,480,521	\$7,480,521	\$7,480,521
NON CURRENT LIABILITIES				
Provisions	\$3,590,173	\$3,590,173	\$3,590,173	\$3,590,173
Convertible Note Loan	\$3,500,000	\$3,500,000	\$3,500,000	\$3,500,000
Finance lease liabilities	\$511,463	\$511,463	\$511,463	\$511,463
Financial Liabilities	\$87,263	\$87,263	\$87,263	\$87,263
TOTAL NON CURRENT LIABILITIES	\$7,688,899	\$7,688,899	\$7,688,899	\$7,688,899
TOTAL LIABILITIES	\$14,969,420	\$15,169,420	\$15,169,420	\$15,169,420
NET ASSETS (LIABILITIES)	\$18,476,266	\$25,750,535	\$29,501,241	\$35,368,461
EQUITY				
Contributed equity	\$101,166,188	\$109,140,457	\$112,891,163	\$118,758,383
Reserves	\$3,018,690	\$3,018,690	\$3,018,690	\$3,018,690
Accumulated losses	-\$81,635,625	-\$81,635,625	-\$81,635,625	-\$81,635,625
Current year losses	-\$4,072,987	-\$4,772,987	-\$4,772,987	-\$4,772,987
TOTAL EQUITY	\$18,476,266	\$25,750,535	\$29,501,241	\$35,368,461

The Pro-Forma balance sheet includes the following adjustments:

1. Proceeds totalling \$15,092,195 (\$16.25 million raised), 9,224,975 (\$10 million raised) and \$5,474,269 (\$6 million raised) respectively, from the Entitlement Offer (includes expenses of the Entitlement Offer).
2. The issue of the short term Bergen Debt Security in consideration for Bergen Global paying \$700,000 (minus \$200,000 for legal expenses). The Bergen Debt Security has a face value of \$1,200,000. The terms of the Bergen Debt Security are summarised at section 9.5 of this Prospectus.
3. \$2,500,000 in funds is received under the short term debt bridging agreement currently being negotiated by the Company which is a condition of the Offers. Refer to section 5.2 for further details.
4. \$2,000,000 in funds is received or available to the Company under either of the Off-take Agreement or Silver Stream Agreement currently being negotiated by the Company which is a condition of the Offers. Refer to section 5.2 for further details.

6.4 Effect on capital structure

The effect of the Entitlement Offer on the capital structure of the Company, assuming all Entitlements are accepted and no Options or Convertible Notes are exercised prior to the Record Date, is set out below.

Shares

	Number
Shares currently on issue	1,625,092,716
Shares offered pursuant to the Entitlement Offer	3,250,185,432
Shares to be issued to Celtic Capital ¹	176,879,218
Total Shares on issue on completion of the Entitlement Offer	5,052,157,366

Notes:

1. These Shares are being issued to Celtic Capital as part fees and part collateral under the Equity Placement Facility and the Celtic Convertible Securities, each of which are summarised at sections 9.6 and 9.4 respectively. The issue of these Shares are subject to Shareholder approval at the Shareholder Meeting.

As detailed above at section 6.1 of this Prospectus, if the Company raises sufficient funds under the Entitlement Offer, then the Company intends to redeem the Convertible Securities on issue. However, if sufficient funds are not raised, then the outstanding Convertible Securities (excluding the Celtic Convertible Securities) are likely to be converted into Shares, and the Company may need to draw down on the Equity Placement Facility (subject to Shareholder approval). The potential effect on the Capital Structure is set out below:

	Number
Total Shares on issue on completion of the Entitlement Offer (assuming maximum subscription)	5,052,157,366
Shares to be issued to Bergen Global on conversion of the First Bergen Global Convertible Security ¹	236,111,111
Shares to be issued to YA Global on conversion of the YA Global Convertible Security ¹	247,222,222
Shares to be issued to Bergen Global on conversion of the Second Bergen Global Convertible Security ²	61,728,395
Shares to be issued to Bergen Global on conversion of the Third Bergen Global Convertible Security ²	185,185,185
Maximum amount of Shares that may be issued under the Equity Placement Facility ³	2,000,000,000
Potential amount of Shares on issue after conversion of the Convertible Securities and maximum drawdown on the Equity Placement Facility⁴	7,782,404,279

Notes:

1. This assumes a conversion price of \$0.0045, being a 90% discount to the price of Shares being offered under the Entitlement Offer.
2. This assumes a conversion price of \$0.00405, being an 81% discount to the price of Shares being offered under the Entitlement Offer.
3. This assumes a subscription price of \$0.005, being the minimum price at which the Company may require the Company to subscribe for Shares under the Equity Placement Facility.
4. Due to the fact that the Company's Shares have been suspended from trade since 8 April 2013, the above conversion prices are based off the appropriate discounts to a theoretical market price of \$0.005. As such, the actual amount of Shares issued will likely vary. The above table assumes the Celtic Convertible Securities are redeemed out of the funds raised from the Entitlement Offer and are not converted.

Options

	Number
Options currently on issue:	
Quoted exercisable at \$0.06 on or before 14 May 2015	60,839,105
Unquoted exercisable at \$0.11 on or before 31 March 2015	1,000,000
Unquoted exercisable at \$0.15 on or before 31 August 2015	1,000,000
Unquoted exercisable at \$0.0496 on or before 26 February 2016 ¹	26,000,000
Total	88,839,105
New Options offered pursuant to the Entitlement Offer (Quoted exercisable at \$0.01 on or before 31 July 2015)	1,625,092,716

Unlisted Options to be issued Bergen Global (subject to Shareholder approval) after the Record Date exercisable at the VWAP of Shares on the date immediately prior to the issue date and expiring 60 months after the date of issue ²	88,000,000
Listed New Options to be issued to Celtic Capital (or its nominee) under the Celtic Offer ³	36,000,000
Listed New Options to be granted to Patersons (or its nominees) under the Broker Offer ⁴	195,011,126
Total Options on issue on completion of the Offers	2,032,942,947

Notes:

1. Upon completion of the Entitlement Offer, the exercise price of \$0.0496 attaching to these Options will be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2.
2. These Options are to be issued to Bergen Global pursuant to terms of the Third Bergen Global Convertible Security summarised at section 9.3 of this Prospectus. The issue of these Options are subject to Shareholder approval to be obtained at the Shareholder Meeting.
3. These New Options are to be issued to Celtic Capital as fees under the terms of the Celtic Convertible Securities summarised at section 9.4 of this Prospectus. Refer to section 5.4 of this Prospectus for more details in relation to the Celtic Offer.
4. This assumes the Entitlement Offer is fully subscribed. These New Options will be issued to Patersons (or its nominees) on completion of the Entitlement Offer and will total 6% of the number of Shares issued under the Entitlement Offer. Refer to section 9.7 of this Prospectus for details of the mandate agreement executed between the Company and Patersons. Refer to section 5.3 of this Prospectus for more details in relation to the Broker Offer.

Performance Rights

	Number
Performance Rights currently on issue: Expiring on 29 November 2015	166,666
Performance Rights to be issued to Dr Paul D'Sylva, Mr Tim Morrison, Mr Michael Reed and Mr Trevor Harris ¹	Up to 505,215,736
Performance Rights offered under the Entitlement Offer	Nil
Total Performance Rights on issue on completion of the Entitlement Offer	Up to 505,382,402

Notes:

1. The issue of these Performance Rights are subject to Shareholder approval at the Shareholder meeting. Each of the above persons is to be granted that number of Performance Rights equal to 2.5% of the total number of Shares on issue on Completion of the Entitlement Offer. The table assumes the Entitlement Offer is fully subscribed, and 176,879,218 Shares are issued to Celtic Capital before the Entitlement Offer is

completed, in which case, if approved by Shareholders, each of the above persons will be granted 126,303,934 Performance Rights. The Performance Rights are subject to performance hurdles, including that 50% convert into Shares (on a 1:1 basis) on completion of the Rights Issue. Further detail in relation to the issue of these Performance Rights is set out at section 10.4 of this Prospectus.

Convertible Securities

	Number
Convertible Securities currently on issue:	
First Bergen Global Convertible Security (\$1,062,500 face value, maturing on or before 24 February 2015)	1
YA Global Convertible Security (\$1,112,500 face value, maturing on or before 24 February 2015)	1
Total	2
Second Bergen Global Convertible Security (\$250,000 face value, maturing on or before 26 March 2015) to be issued before completion of the Entitlement Offer ¹	1
Third Bergen Global Convertible Security (\$750,000 face value, maturing on or before 26 March 2015) to be issued before completion of the Entitlement Offer ²	1
Celtic Convertible Securities (each with a face value of \$1, maturing on or before 11 October 2013) to be issued before completion of the Entitlement Offer ³	1,800,000
Convertible Securities offered under Entitlement Offer	Nil
Total Convertible Securities on issue on completion of Entitlement Offer	1,800,004

Notes:

1. The issue of the Second Bergen Global Convertible Security is conditional upon Shareholder approval at the Shareholder Meeting. If Shareholder approval is obtained, the Company will issue the Second Bergen Global Convertible Security as a replacement to the \$250,000 Bergen Convertible Debt Security.
2. The issue of the Third Bergen Global Convertible Security is conditional upon Shareholder approval at Shareholder Meeting. If Shareholder approval is obtained, the Company will issue the Second Bergen Global Convertible Security as a replacement to the \$750,000 Bergen Convertible Debt Security.
3. The issue of the Celtic Convertible Securities are conditional upon Shareholder approval at the Shareholder Meeting. If Shareholder approval is obtained, the Company will issue the Celtic Convertible Securities as a replacement to the 1,800,000 Celtic Convertible Debt Securities.

Debt Securities

	Number
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Debt Securities currently on issue:	
\$250,000 Bergen Convertible Debt Security ¹	1
\$750,000 Bergen Convertible Debt Security ²	1
Celtic Convertible Debt Securities (each with a face value of \$1.00, maturing on or before 11 October 2013) ³	1,800,000
Debt Security issued to Bergen Global (face value of \$1,200,000 repayable on or before 15 August 2013)	1
Total	1,800,003
Debt Securities offered under Entitlement Offer	Nil
Total Debt Securities on issue on completion of the Entitlement Offer	1

Notes:

1. Subject to Shareholder approval being obtained, the \$250,000 Bergen Convertible Debt Security will be replaced by the issue of the Second Bergen Global Convertible Security.
2. Subject to Shareholder approval being obtained, the \$750,000 Bergen Convertible Debt Security will be replaced by the issue of the Third Bergen Global Convertible Security.
3. Subject to Shareholder approval being obtained, the Celtic Convertible Debt Securities will be replaced by the issue of the Celtic Convertible Securities.

The capital structure on a fully diluted basis as at the date of this Prospectus is 2,197,431,820 (this does not include any of the Debt Securities that subject to Shareholder approval will become Convertible Securities) Shares and on completion of the Entitlement Offer (assuming all Entitlements are accepted and no Options or Convertible Securities are exercised prior to the Record Date) will be 8,239,043,304 Shares (this includes the Celtic Convertible Securities, Second Bergen Convertible Security and Third Bergen Convertible Security that are to be issued prior to completion of the Entitlement Offer, subject to Shareholder approval).

Due to the fact that the Company's Shares have been suspended from trade since 8 April 2013, the fully diluted capital structure above is based upon a theoretical conversion price for the Convertible Securities. The theoretical conversion price for each Convertible Security has been calculated by applying the appropriate discounts to the price of Shares being offered under this Prospectus (being \$0.005). As such, the actual amount of Shares to be issued upon conversion of the Convertible Securities may vary. For further details in relation to conversion price of the Convertible Securities refer to section 9 of this Prospectus.

No Shares or Options on issue are subject to escrow restrictions, either voluntary or ASX imposed.

6.5 Details of substantial holders

Based on publicly available information as at 17 May 2013, those persons which (together with their associates) have a relevant interest in 5% or more of the Shares on issue are set out below:

Shareholder	Shares	%
JP Morgan Nominees Australia Ltd	261,019,747	16.06%

In the event all Entitlements are accepted there will be no change to the substantial holders on completion of the Entitlement Offer.

7. RIGHTS AND LIABILITIES ATTACHING TO SECURITIES

7.1 Shares

The following is a summary of the more significant rights and liabilities attaching to Shares being offered pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

(a) General meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution of the Company.

(b) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each Share held, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) Dividend rights

Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms and conditions as the Directors think fit and which provides for any dividend which the Directors may declare from time to time payable on Shares which are participating Shares in the dividend reinvestment plan, less any amount which the Company shall either pursuant to the Constitution or any law be entitled or obliged to retain, be applied by the Company to the payment of the subscription price of Shares.

(d) **Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any shares or other securities in respect of which there is any liability.

(e) **Shareholder liability**

As the Shares issued will be fully paid shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(f) **Transfer of shares**

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act and the ASX Listing Rules.

(g) **Future increase in capital**

The allotment and issue of any new Shares is under the control of the Directors of the Company. Subject to restrictions on the issue or grant of Securities contained in the ASX Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors may issue Shares as they shall, in their absolute discretion, determine.

(h) **Variation of rights**

Under section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

(i) **Alteration of constitution**

In accordance with the Corporations Act, the Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

7.2 New Options

(a) **Entitlement**

Each New Option entitles the holder to subscribe for one Share upon exercise of the New Option.

(b) **Exercise Price**

Subject to paragraph (j), the amount payable upon exercise of each New Option will be \$0.01 (**Exercise Price**).

(c) **Expiry Date**

Each New Option will expire at 5.00pm (WST) on 31 July 2015 (**Expiry Date**). A New Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The New Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The New Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each New Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment

of the Exercise Price for each New Option being exercised in cleared funds (**Exercise Date**).

(g) Timing of issue of Shares on exercise

Within 15 Business Days after the later of the following:

- (i) the Exercise Date; and
- (ii) when excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information,

but in any case no later than 20 Business Days after the Exercise Date, the Company will:

- (iii) allot and issue the number of Shares required under these terms and conditions in respect of the number of New Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (iv) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (v) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the New Options.

If a notice delivered under (g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the New Options rank equally with the then issued shares of the Company.

(i) **Quotation of Shares issued on exercise**

If admitted to the official list of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the New Options.

(j) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent

with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(k) **Participation in new issues**

There are no participation rights or entitlements inherent in the New Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the New Options without exercising the New Options.

(l) **Change in exercise price**

A New Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the New Option can be exercised.

(m) **Quoted**

The Company will apply for quotation of the Options on ASX.

(n) **Transferability**

The New Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

8. RISK FACTORS

8.1 Introduction

The Securities offered under this Prospectus are considered highly speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus and to consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

There are specific risks which relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Securities.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

8.2 Key Risks

Section 3.2 of this Prospectus summarises the key risks that apply to the Company.

8.3 Company specific

(a) Mineral Resource Estimates

Mineral Resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and mining plans which may, in turn, adversely affect the Company's operations.

8.4 Industry specific

(a) Environmental

The operations and proposed activities of the Company are subject to State and Federal laws and regulations concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

Mining operations have inherent risks and liabilities associated with safety and damage to the environment and the disposal of waste products occurring as a result of mineral exploration and production. The occurrence of any such safety or environmental incident could delay production or increase production costs. Events, such as unpredictable rainfall or bushfires may impact on the Company's

ongoing compliance with environmental legislation, regulations and licences. Significant liabilities could be imposed on the Company for damages, clean up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous operations or non-compliance with environmental laws or regulations.

The disposal of mining and process waste and mine water discharge are under constant legislative scrutiny and regulation. There is a risk that environmental laws and regulations become more onerous making the Company's operations more expensive.

Approvals are required for land clearing and for ground disturbing activities. Delays in obtaining such approvals can result in the delay to anticipated exploration programmes or mining activities.

(b) **Environmental Bonds**

The Company's tenements are subject to unconditional performance bonds to cover the anticipated cost of rehabilitation of historical mining on the tenements. The bonds may be increased in the future, either in relation to previous mining or new mining activities, which the Company would need to fund. In addition, there can be no assurance given that the actual rehabilitation costs incurred will not exceed the amount of the bonds.

(c) **Native Title Risks**

Both the Native Title Act 1993 (Cth), related State Native Title legislation and Aboriginal Land Rights and Aboriginal Heritage legislation may affect the Company's ability to gain access to prospective exploration areas or obtain production titles.

Compensatory obligations may be necessary in settling Native Title claims if lodged over any tenements acquired by the Company. The existence of outstanding registered Native Title claims means that the grant of a tenement in respect of a particular tenement application may be significantly delayed or thwarted pending resolution of future act procedures in the Native Title Act. The level of impact of these matters will depend, in part, on the location and status of the tenements acquired by the Company. At this stage it is not possible to quantify the impact (if any) which these developments may have on the operations of the Company.

(d) **Regulatory Risks**

The Company's mining operations and exploration and development activities are subject to extensive laws and regulations relating to numerous matters including resource licence consent, conditions including environmental compliance and rehabilitation, taxation, employee relations, health and worker safety, waste disposal, protection of the environment, native title and heritage matters, protection of endangered and protected species and other matters. The Company requires permits from regulatory authorities to authorise the Company's operations. These permits relate to exploration, development, production and rehabilitation activities.

Obtaining necessary permits can be a time consuming process and there is a risk that Company will not obtain these permits on acceptable

terms, in a timely manner or at all. The costs and delays associated with obtaining necessary permits and complying with these permits and applicable laws and regulations could materially delay or restrict the Company from proceeding with the development of a project or the operation or further development of a mine. Any failure to comply with applicable laws and regulations or permits, even if inadvertent, could result in material fines, penalties or other liabilities. In extreme cases, failure could result in suspension of the Company's activities or forfeiture of one or more of the tenements.

(e) **Exploration**

The mineral tenements of the Company are at various stages of exploration, and potential investors should understand that mineral exploration and development are high-risk undertakings.

There can be no assurance that exploration of these tenements, or any other tenements that may be acquired in the future, will result in the discovery of an economic ore deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

The future exploration activities of the Company may be affected by a range of factors including geological conditions, limitations on activities due to seasonal weather patterns, unanticipated operational and technical difficulties, industrial and environmental accidents, native title process, changing government regulations and many other factors beyond the control of the Company.

The success of the Company will also depend upon the Company having access to sufficient development capital, being able to maintain title to its Tenements and obtaining all required approvals for its activities. In the event that exploration programmes prove to be unsuccessful this could lead to a diminution in the value of the Tenements, a reduction in the case reserves of the Company and possible relinquishment of the Tenements.

The exploration costs of the Company are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the Company's viability.

(f) **Mine development**

Possible future development of further mining operations at any of the Company's projects is dependent on a number of factors including, but not limited to, the acquisition and/or delineation of economically recoverable mineralisation, favourable geological conditions, receiving the necessary approvals from all relevant authorities and parties, seasonal weather patterns, unanticipated technical and operational difficulties encountered in extraction and production activities, mechanical failure of operating plant and equipment, shortages or increases in the price of consumables, spare parts and plant and

equipment, cost overruns, access to the required level of funding and contracting risk from third parties providing essential services.

If the Company commences production from other locations, its operations may be disrupted by a variety of risks and hazards which are beyond its control, including environmental hazards, industrial accidents, technical failures, labour disputes, unusual or unexpected rock formations, flooding and extended interruptions due to inclement of hazardous weather conditions and fires, explosions or accidents. No assurance can be given that the Company will achieve commercial viability through the development or mining of its projects and treatment of ore.

(g) **Exploration and Mining Titles**

The ability of the Company to carry out successful exploration and mining activities will depend on the ability to maintain or obtain tenure to mining titles. The maintenance or issue of any such titles must be in accordance with the laws of the relevant jurisdiction and in particular, the relevant mining legislation. Conditions imposed by such legislation must also be complied with. No guarantee can be given that tenures will be maintained or granted, or if they are maintained or granted, that the Company will be in a position to comply with all conditions that are imposed or that they will not be complained by third parties.

Although the Company has investigated title to all of its tenements the Company cannot give any assurance that title to such tenements will not be challenged or impugned. The tenements may be subject to prior unregistered agreements or transfers or title may be affected by undetected defects or native title claims.

(h) **Tenure and access**

Mining and exploration tenements are subject to periodic renewal. There is no guarantee that current or future tenements or future applications for production tenements will be approved.

Tenements are subject to the applicable mining acts and regulations in Queensland. The renewal of the term of a granted tenement is also subject to the discretion of the relevant Minister. Renewal conditions may include increased expenditure and work commitments or compulsory relinquishment of areas of the tenements comprising the Company's projects. The imposition of new conditions or the inability to meet those conditions may adversely affect the operations, financial position and/or performance of the Company.

8.5 General risks

(a) **Economic**

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

(b) **Market conditions**

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- general economic outlook;
- introduction of tax reform or other new legislation;
- interest rates and inflation rates;
- changes in investor sentiment toward particular market sectors;
- the demand for, and supply of, capital; and
- terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(c) **Additional requirements for capital**

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in addition to amounts raised under the Entitlement Offer. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programmes as the case may be. There is however no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

(d) **Taxation**

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

(e) **Force Majeure**

The Company's projects now or in the future may be adversely affected by risks outside the control of the Company including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

(f) **Government policy changes**

Adverse changes in government policies or legislation may affect ownership of mineral interests, taxation, royalties, land access, labour relations, and mining and exploration activities of the Company. It is possible that the current system of exploration and mine permitting in Western Australia may change, resulting in impairment of rights and possibly expropriation of the Company's properties without adequate compensation.

8.6 Speculative investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Securities offered under this Prospectus

Therefore, the Securities to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Securities.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

9. MATERIAL CONTRACTS

9.1 First Bergen Global Convertible Security and YA Global Convertible Security

The terms and conditions of each of the First Bergen Global Convertible Security and the YA Global Convertible Security are as follows:

Term	Details
Subscription Amount	\$1,250,000 each
Face Value	Initially: \$1,312,500 each At date of this Prospectus: Bergen Global: \$1,062,500; YA Global: \$1,112,500.
Maturity Date	24 February 2015
Interest	Nil, but interest is payable on a default event occurring at the interest rate prescribed by section 101 of the Civil Procedure Act 2005 (NSW) (as at the date of this Prospectus, the prescribed rate is ~ 6% above the cash rate last published by the Reserve Bank of Australia)
Secured / Unsecured	The First Bergen Global Convertible Security was initially unsecured, but is now secured (as a past advance) by the general security deed granted to Bergen Global on 26 March 2013 (General Security Deed). The YA Global Convertible Note is not secured.
Conversion	Each convertible security is convertible in whole or part, at the holder's election, before the maturity date, conditional on approval under ASX Listing Rule 7.1 being obtained where necessary to avoid a breach of the ASX Listing Rules. Any unconverted part of the Face Value must be converted at the maturity date. If the Company has not obtained any necessary Shareholder approval by the required issue date, the Company must pay the holder 110% of the face value that was to be converted in lieu of converting that amount into Shares. Where the issue of Share upon conversion would result in the holder having a relevant interest in Shares in excess of 19.99%, the Company must not effect such conversion by issuance of Shares but must instead pay to the holder the amount equal to the conversion amount that would increase the holder's relevant interest in Shares above 19.99%.
Conversion Price	At the holder's election, either: <ul style="list-style-type: none">• 90% of one daily VWAP per Share during the twenty consecutive actual trading days immediately prior to the date a conversion notice is given to the Company; or• 135% of the average of the daily VWAPs per Share for the 10 consecutive actual trading days immediately prior to prior to 24 February 2013 (being 0.467 cents), up to a maximum face value amount of \$1,250,000.
Redemption	The Company does not have a right under the convertible securities to redeem the First Bergen Global Convertible Security or the YA Global Convertible Security before the Maturity Date.

	However, Bergen and YA Global have subsequently agreed to early redemption if requested by the Company following completion of the Rights Issue.
Transferability	Each convertible security is freely transferrable and assignable.
Options	In lieu of a capital raising fee for providing the convertible security, the Company must grant (and has granted), for nil cash consideration, 13,000,000 unlisted Options (exercisable at 4.96 cents each, expiring 26 February 2016) to each of Bergen Global and YA Global.
Collateral Shares	The Company has issued 12,400,000 Shares for nil cash consideration as collateral for the convertible security to each of Bergen Global and YA Global. As a default event has occurred, Bergen Global and YA Global are entitled to keep these collateral Shares without further payment.
No Participation or Voting Rights	There are no participation rights or entitlements inherent in the convertible securities and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the convertible security without converting the convertible notes. The convertible notes do not carry any voting rights at Shareholder meetings.
Governing Law	New South Wales

9.2 Second Bergen Global Convertible Security

The terms and conditions of the \$250,000 Bergen Convertible Debt Security and the Second Bergen Global Convertible Security are as follows.

Term	Details
Subscription Amount	\$250,000
Face Value	\$250,000
Face Value on Change of Control	The face value of the convertible security will increase by \$250,000 if, at any time: <ul style="list-style-type: none"> • a person (other than the holder), either directly or indirectly, acquires a relevant interest in more than 15% of Shares in the Company or Company's subsidiaries; • a person (other than the holder), either directly or indirectly, acquires the whole or a material part of the Company's business or property; • a person acquires control (within the meaning of section 50AA of the Corporations Act) of the Company or any subsidiary; • a person acquires or merges with the Company or subsidiary; • a person is in a position of control of the Company's Board; or • there is an appointment, removal, or resignation of a Director of the Company.
Maturity Date	26 March 2015

Interest	Nil, but a interest is payable on a default event occurring at the interest rate prescribed by section 101 of the Civil Procedure Act 2005 (NSW) (as at the date of this Prospectus, the prescribed rate is ~6% above the cash rate last published by the Reserve Bank of Australia).
Secured	Secured under the General Security Deed granted on 26 March 2013.
Conversion	<p>Conditional on Shareholder approval being obtained where necessary to avoid a breach of the ASX Listing Rules.</p> <p>Any unconverted part of the Face Value must be converted at the maturity date.</p> <p>If the Company has not obtained any necessary Shareholder approval by the required issue date, the Company must pay the holder the 119% of the face value that would of otherwise been converted into Shares.</p> <p>Where the issue of Shares upon conversion would result in the holder having a relevant interest in Shares in excess of 19.99%, the Company must not effect such conversion by issuance of Shares but must instead pay to the holder the amount equal to the conversion amount that would increase the holder's relevant interest in Shares above 19.99%.</p>
Conversion Price	<p>At the holder's election, either:</p> <ul style="list-style-type: none"> • 81% of the average of three daily VWAPs per Share (as selected by the Investor in its sole discretion) during the 20 consecutive trading days immediately prior to the date a conversion notice is given to the Company; or • the average of two daily VWAPs per Share for the 2 consecutive trading days immediately prior to 26 March 2013 (being 0.0153 cents).
Redemption	The Company does not have a right to repay the convertible security before the maturity date. However, Bergen Global has agreed to early redemption if requested by the Company following completion of the Rights Issue.
Default Events	<p>Each convertible security is subject to default events relating to:</p> <ul style="list-style-type: none"> • insolvency and appointment of administrators; • breach by the Company of any obligations owed to the holder; • the Company Group suspending or selling a substantial part of its business or assets; • a reduction of capital; • removal of the Company from the ASX; • the holder's Shares not being quoted on ASX, • a security interest over the Company Group being enforced; • the Company Group being in default under a debt agreement; • the Company not obtaining shareholder approval so that the Company may issue Shares upon conversion; • a change of control in respect of the Company

	<p>occurring; or</p> <ul style="list-style-type: none"> a material adverse event occurring in respect of the Company's business or price of Shares. <p>Upon an event of default occurring, the holder may declare that any outstanding face value, or any other amount payable by the Company to the holder, immediately becomes due and payable.</p>
Negative Covenants	<p>Under the terms of issue of the convertible security, the Company must not:</p> <ul style="list-style-type: none"> issue or sell any debt, equity or equity linked securities that are convertible into, or have a right to receive, Shares at a conversion, exercise or exchange rate or other price based on (or varying with) the trading price of Shares or which can be reset at a future date in specific circumstances. This is deemed to include an equity line of credit, convertible security or loan, or similar debt arrangement, excluding the YA Global Convertible Security and the Celtic Capital Convertible Notes, but does not prohibit rights issues, shareholder purchase plans, convertible securities, or equity issuances, each at a fixed price per Share. issue or sell any securities in a capital or debt raising transaction which grant the investor the right to receive additional securities upon future transactions of the Company on terms more favourable than those granted to that investor in such first transaction; without the consent of holder, dispose of all or part of its assets unless in the ordinary course of business or, if at least \$400,000 is raised from the sale, at least 50% of net proceeds are applied towards repayment of the convertible security; without the consent of the holder, make an announcement in relation to the holder; reduce its Share capital; undertake a consolidation of its Share capital; incur indebtedness that is senior to, or pari passu with, the Company's obligations under this convertible security in right of payment; change the nature of the Company's business; make an application under section 411 of the Corporations Act; or list on any other stock exchange other than ASX and the Deutsche Bourse without the holders consent.
No Participation or Voting Rights	<p>There are no participation rights or entitlements inherent in the convertible security and the holder will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the convertible security without converting the convertible security.</p>
Governing Law	<p>New South Wales</p>

9.3 Third Bergen Global Convertible Security

The terms and conditions of the \$750,000 Bergen Convertible Debt Security and the Third Bergen Global Convertible Security are as follows.

Term	Details
Subscription Amount	Nil, the convertible security was issued in consideration of the holder waiving obligations owed by the Company under the Bergen Global Convertible Securities Agreement.
Face Value	\$750,000
Maturity Date	26 March 2015
Interest	Nil, but interest is payable on a default event occurring at the interest rate prescribed by section 101 of the Civil Procedure Act 2005 (NSW) (as at the date of this Prospectus, the prescribed rate is ~ 6% above the cash rate last published by the Reserve Bank of Australia)
Secured	Secured pursuant to the General Security Deed.
Conversion	As per the Second Bergen Global Convertible Security
Conversion Price	As per the Second Bergen Global Convertible Security
Redemption	As per the Second Bergen Global Convertible Security
Default Events	As per the Second Bergen Global Convertible Security
Negative Covenants	As per the Second Bergen Global Convertible Security. In addition, until 26 March 2018, Bergen has a first right of refusal to provide any debt financing (including by issuing debentures, convertible notes, instruments convertible into shares or debentures, or options) to the AYN Group, for an amount greater than \$500,000 or that involves the grant of security over any of the AYN Group's asset.
Options	The Company must grant, for nil cash consideration, 88,000,000 unlisted Options exercisable at the VWAP of Shares on the date immediately prior to the issue date and expiring 60 months after the date of issue. These options must be issued by no later than 31 July 2013.
No Participation or Voting Rights	There are no participation rights or entitlements inherent in the convertible security and the holder will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the convertible security without converting the convertible security.
Governing Law	New South Wales

9.4 Celtic Convertible Securities

The terms and conditions of the Celtic Convertible Securities and the Celtic Convertible Debt Securities are as follows.

Term	Details
Subscription Amount	\$1,200,000
Face Value	\$1.00 per convertible note (a total of \$1,800,000)
Maturity Date	120 days after issue (being 11 October 2013)

Interest	Nil, but default interest of 15% pa is payable on a default event or a failure by the Company to convert the convertible notes as and when required.
Unsecured	The convertible notes are unsecured, but are to rank in priority to all other unsecured creditors of the Company.
Conversion	<p>Each convertible note is convertible in whole, and not part, at Celtic Capital's election before the maturity date.</p> <p>Conversion is conditional on the Company obtaining Shareholder approval, which is being sought at the Shareholder Meeting.</p> <p>Where Celtic Capital provides a conversion notice, the Company may instead of converting those convertible notes, elect to repay some or all of those convertible notes at a price equal to the opening price of Shares on the conversion date, provided the total cash payment does not exceed 50% of the value of the convertible notes on issue.</p> <p>If a conversion would result in Celtic Capital holding more than 19.99% of the Company's issued Shares, the conversion cannot take place and the Company must instead redeem the face value of the Convertible Notes that would otherwise be converted.</p>
Conversion Price	Lesser of \$0.01 and 85% of the VWAP for Shares over the five days (on which trading in Shares occurs) before the receipt of a conversion notice
Redemption	<p>The Company must repay the convertible notes in the following stages prior to the maturity date (failing which default interest will be payable):</p> <ul style="list-style-type: none"> • 150,000 convertible notes are repayable 45 business days after issue (being 20 June 2013). Celtic Capital has subsequently agreed to defer this until completion of the Rights Issue; • 450,000 convertible notes are repayable 60 business days after issue (being 11 July 2013). Celtic Capital has subsequently agreed to defer this until completion of the Rights Issue; • 450,000 convertible notes are repayable 90 business days after issue (being 22 August 2013); and • any remaining unconverted convertible notes are repayable on the maturity date (being 11 October 2013). <p>In the event that the Company raises funds of more than \$2,000,000 (whether by debt or equity), the Company must immediately use 50% of the funds raised (before costs) to repay amounts outstanding in relation to the convertible notes (failing which default interest will be payable).</p> <p>The Company intends to redeem the Celtic Capital Convertible Notes if the minimum subscription is raised under the Rights Issue. Celtic Capital's has agreed that the convertible securities may be repaid via cash payment before the maturity date.</p> <p>If the Company draws funds under the Celtic Capital Equity Placement Facility, Celtic Capital may direct that some or all of those proceeds are used towards repaying the convertible</p>

	<p>notes.</p> <p>Other than as set out above, the Company does not have a right to repay the convertible notes before the maturity date.</p>
Default Events	<p>The convertible notes are subject to default events relating to:</p> <ul style="list-style-type: none"> • material breach by the Company that is not rectified within 5 business days of written notice from Celtic Capital; • non-payment of funds within 5 business days of the due date; • untrue or misleading representations; • winding up or insolvency; and • suspension of Shares on the ASX for more than 5 trading days between 10 April 2013 and the maturity date.
Covenants	<p>Until the convertible notes are fully redeemed or converted, the Company must:</p> <ul style="list-style-type: none"> • only use the Subscription Amount for working capital; and • not issue, or agree to issue, any Shares or instruments capable of conversion into Shares, other than the Rights Issue. <p>The Company must convene a shareholder meeting to refresh the Company's 15% placement capacity under ASX Listing Rule 7.1 by 27 May 2013. Celtic Capital has agreed to extend this date until the Shareholder Meeting, but no later than 31 July 2013.</p>
Transferability	<p>The convertible notes may be transferred with the consent of the Company, which cannot be unreasonable withheld.</p>
Consideration Shares	<p>On 15 April 2013, the Company issued Celtic Capital with 9,000,000 Shares as part consideration for the issue of the Celtic Capital Convertible Notes.</p>
Options	<p>The Company must issue Celtic Capital with 36,000,000 New Options on the terms outlined at section 7.2 of this Prospectus.</p>
Collateral Shares	<p>The Company is currently seeking shareholder approval at the Shareholder Meeting to issue Celtic Capital with 141,176,471 Shares for nil cash consideration as collateral for the convertible notes.</p> <p>If Celtic Capital sells any of the collateral Shares before the maturity date, the proceeds received will be offset against the Company's repayment obligations, in reverse order.</p> <p>To the extent Celtic Capital retains collateral Shares at the maturity date, it must pay the Company for those Shares at a price equal to the 85% of the average of the 5 day VWAP for Shares prior to the maturity date.</p> <p>If a default event occurs and is not cured by the Company within 5 business days of written notice, Celtic Capital may keep the collateral Shares and is released from the above offset and payment obligations.</p>
No Participation or	<p>There are no participation rights or entitlements inherent in the convertible notes and holders will not be entitled to participate</p>

Voting Rights	<p>in new issues of capital offered to Shareholders during the currency of the convertible notes without converting the convertible notes.</p> <p>The convertible notes do not carry any voting rights at Shareholder meetings but the Company must use reasonable endeavours to provide Celtic Capital with copies of documents at the same time as provided to Shareholders.</p>
Legal Costs	<p>In satisfaction of \$10,000 in legal fees incurred by Celtic Capital, the Company must issue 2,352,941 Shares (at a deemed issue price of 0.425 cents each) to Celtic Capital by 17 April 2013. The Company is seeking Shareholder approval to issue these Shares at the Shareholder Meeting. Celtic Capital has agreed to extend this date until after the Shareholder Meeting, but no later than 31 July 2013.</p>
Governing Law	Western Australia

9.5 Bergen Global Debt Security

The terms and conditions of the Bergen Debt Security are as follows:

Term	Details
Subscription Amount	\$700,000 (minus \$200,000 in costs)
Face Value	<p>\$1,200,000</p> <p>The face value of the Bergen Debt Security will increase by \$300,000 if, at any time there is an event of default.</p>
Maturity Date	15 August 2013
Interest	<p>Nil, but a interest is payable on a default event occurring at the interest rate prescribed by section 101 of the Civil Procedure Act 2005 (NSW) (as at the date of this Prospectus, the prescribed rate is 6% above the cash rate last published by the Reserve Bank of Australia).</p>
Secured	The convertible security is secured under the General Security Deed.
Conversion	There is no right to conversion of the Bergen Debt Security.
Repayment	The Company must repay the Bergen Debt Security on or before the Maturity Date.
Negative Covenants	<p>For as long as an amount remains owing under the Bergen Debt Security, the Company Group must not, without Bergen Global's written approval:</p> <ul style="list-style-type: none"> • dispose of all or part of its assets with a value of \$400,000 or over; • reduce its Share capital or any uncalled liability, except by means of a purchase or redemption of Share capital permitted by Australian law; • undertake a consolidation of Share capital; • incur indebtedness that is senior to, or pari passu with, the Company's obligations under the Bergen Debt Security;

	<ul style="list-style-type: none"> • change the nature of the business; • make an application under section 411 of the Corporations Act; • transfer the jurisdiction of incorporation; • make an announcement in respect of Bergen Global or this agreement; or • list on any other stock exchange other than ASX and the Deutsche Bourse.
Legal Costs	The Company must reimburse Bergen Global \$200,000 in legal costs incurred in respect of the Bergen Debt Security and prior transactions, which was offset against the subscription amount of this Bergen Debt Security.
Default Events	<p>The Bergen Debt Security is subject to the following events of default:</p> <ul style="list-style-type: none"> • breach by the Company of any obligations owed to the holder; • the Company providing any documents, or making any statements, that are false, inaccurate, or misleading; • the Company becoming insolvent or a winding up application being lodged; • the Company being issued with a statutory demand; • a controller or administrator being appointed over any of the Company Group's assets; • the Company Group suspending or selling a substantial part of its business or assets; • a reduction of capital; • removal of the Company from the ASX; • the Company's Shares being removed from quotation on ASX; • a security interest over the Company Group being enforced; • the Company Group being in default under a debt agreement; • a Change of Control (as defined above at section 9.2 of this Prospectus) in respect of the Company occurring; or • a material adverse event occurring in respect of the Company's business or price of Shares. <p>Upon an event of default occurring, Bergen Global may declare that any outstanding face value, or any other amount payable by the Company to Bergen Global, be immediately due and payable.</p>
Governing Law	New South Wales
Other terms	The agreement contains other terms considered standard for an agreement of its nature.

9.6 Equity Placement Facility

On 10 April 2013, the Company and Celtic Capital entered into the Equity Placement Facility under which, the Company, at its discretion, may require Celtic Capital to subscribe for Shares up to a total issue price of \$10,000,000.

The key terms and conditions of the Equity Placement Facility are summarised below.

- (a) **(Condition Precedent):** The Equity Placement Facility is conditional upon the Company obtaining all necessary shareholder approval within 60 days of execution. Celtic Capital has agreed to extend this until after the Shareholder Meeting, but no later than 31 July 2013.
- (b) **(Fees):** As consideration for entering into the Equity Placement Facility, the Company must, on the date of entering into the agreement, issue 70,588,235 Shares (at a deemed issue price of 0.0425 cents per Share). The Company issued 39,591,370 of these Shares on 15 April 2013 and is seeking Shareholder approval at the Shareholder meeting to issue the remaining 30,996,865 Shares.
- (c) **(Legal Costs):** In satisfaction of \$10,000 in legal fees incurred by Celtic Capital, the Company must issue 2,352,941 Shares (at a deemed issue price of 0.425 cents each) to Celtic Capital. The Company is seeking Shareholder approval to issue these Shares at the Shareholder Meeting.
- (d) **(Shareholder Approval):** If the Company has not obtained Shareholder approval to issue the Shares the subject of the Fees and Legal Costs by 9 June 2013 (or such later date as agreed by the parties), then the Company must pay Celtic Capital the cash value of the outstanding Shares. Celtic has agreed to extend this date until after the Shareholder Meeting, but no later than 31 July 2013.
- (e) **(Drawdown):** The Company may require Celtic Capital to subscribe for Shares by issuing a drawdown notice, and obtaining all necessary director and shareholder approval.
 - (i) The drawdown limit in relation each specific drawdown notice is 300% of 85% of the daily average Share trading volume over the 5 consecutive days prior to the draw down notice (**Draw Down Limit**).
 - (ii) Each draw down is conditional upon the Company following the necessary procedure, the drawdown note not exceeding the Draw Down Limit, the Company not breaching or being in default under the terms of the Equity Placement Facility, all necessary approvals being obtained, the Company being able to issue a Cleansing Statement (Celtic Capital has agreed cleansing prospectus can be used instead), Shares being continuously quoted on ASX, and the price of Shares not being below \$0.005 on the trading day prior to the drawdown notice.
- (f) **(Subscription Price):** The price at which Celtic Capital must subscribe for Shares is 85% of the VWAP of Shares over the 5 consecutive trading days immediately after the Company issues a drawdown notice. If at any time during the pricing period, 85% of the VWAP of Shares on any one trading day is below \$0.005 (**Relevant Trading Day**), then that Relevant Trading Day will not be taken into account in the Subscription Price and the total drawdown amount will be reduced by 20% for each Relevant Trading Day.
- (g) **(Exclusivity):** The Company must not enter into or engage any similar equity arrangement with a third party without Celtic Capital's consent.

- (h) **(Proceeds)**: Any proceeds raised from the Equity Placement Facility must be used by the Company for the sole purpose of satisfying general working capital expenditure.
- (i) **(Maximum Holding)**: During the term of the Equity Placement Facility, Celtic Capital must not hold more than 19.99% interest in Shares.
- (j) **(Interest)**: The Company must pay interest on any amounts due under the Equity Placement Facility at the default rate.
- (k) **(Termination)**: The Equity Placement Facility will automatically terminate on 10 April 2016. The Company may terminate the Equity Placement Facility at its sole discretion by notice in writing to Celtic Capital. Celtic Capital may terminate the Equity Placement Facility, by notice in writing, if any of the following termination events occur:
 - (i) the Company is in material breach of the Equity Placement Facility and fails to rectify that breach within 5 business days of written notice;
 - (ii) the Company does not pay any amount payable under the Equity Placement Facility or the convertible note agreement entered into with Celtic Capital;
 - (iii) a change of control event occurring in respect of the Company;
 - (iv) any representations or warranties being false or misleading in any material respect;
 - (v) a event occurring that causes a material adverse effect on the Company or any of its business;
 - (vi) a winding up application being made in respect of any company in the Company Group;
 - (vii) an administrator or controller being appointed over any company in the Company Group;
 - (viii) the Company Group suspending, or being unable to pay, any of its debts;
 - (ix) the Company seeking shareholder approval to dispose of its main undertaking or major asset;
 - (x) steps are taken to cancel the registration of any company in the Company Group;
 - (xi) a compromise or arrangement is proposed between the Company and any of its creditors; or
 - (xii) the Equity Placement Facility becoming unenforceable or non-performable.
- (l) **(Other terms)**: the Equity Placement Facility has other terms and conditions that can be considered standard for an agreement of its nature, including, but not limited to, representations and warranties, indemnities, confidentiality, negative covenants and GST.

9.7 Patersons Mandate Letter

The Company and Patersons have entered into a mandate agreement dated 8 April 2013, under which Patersons has agreed to act as the sole and exclusive Lead Manager to the Entitlement Offer.

Patersons participation as Lead Manager to the Entitlement Offer is conditional upon:

- (a) the opportunity to review any due diligence material in relation to the Entitlement Offer;
- (b) the terms of the Entitlement Offer being satisfactory to Patersons;
- (c) this Prospectus fully complying with all applicable law and being satisfactory to Patersons;
- (d) a legal sign-off being provided to the Company by the Company's solicitor's;
- (e) Patersons executing its consent to be named in the Prospectus in a form satisfactory to Patersons; and
- (f) the Company conducting a series of presentations to advisors and investors.

The Consideration payable by the Company to Patersons is \$80,000, plus 6% of the gross dollar amount raised under the Entitlement Offer and Shortfall. The Company must also issue Options to Patersons equal to 6% of the total number of Shares issued under the Entitlement Offer, being up to 195,011,126 New Options. These Options are on the same terms and conditions as the New Options, summarised at Section 7.2 of this Prospectus.

The Company will reimburse Patersons for its out of pocket expenses related to the Entitlement Offer and will obtain the Company's prior consent before incurring an expense greater than \$2,000.

The Patersons Mandate otherwise contains standard clauses typical for an agreement of this nature.

9.8 Deed of Termination and Release

As previously announced, Mr Andrew King (former Managing Director) resigned as a Director on 15 March 2013.

On 13 March 2013, the Company, Texas Silver Mines and Mr Andrew King entered into a Deed of Termination and Release which records the terms on which Mr Andrew King's Executive Service Agreement dated 1 August 2011 (**Executive Service Agreement**) was terminated.

The Company agreed to pay Mr Andrew King six month's salary under the Services Agreement, being approximately \$220,000, plus GST, plus the Director's accrued but unpaid superannuation and leave entitlements as consideration for:

- (a) the termination of the Executive Services Agreement and the Company's full and final release from any payments or claims that Mr

Andrew King may make in relation to the Executive Services Agreement;
and

- (b) his assistance to the Directors for no additional compensation in the two week period following his resignation.

10. ADDITIONAL INFORMATION

10.1 Litigation

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

The Company is currently involved in discussions with Andrew King regarding amounts owed to him by the Company, details of which as disclosed at Section 9.8 of this Prospectus. As at the date of this Prospectus, no litigation has been commenced or threatened.

10.2 Continuous disclosure obligations

The Company is a “disclosing entity” (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

This Prospectus is a “transaction specific prospectus”. In general terms a “transaction specific prospectus” is only required to contain information in relation to the effect of the issue of securities on a company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 3 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and

- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
- (i) the annual financial report most recently lodged by the Company with the ASIC;
 - (ii) any half-year financial report lodged by the Company with the ASIC after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC; and
 - (iii) any continuous disclosure documents given by the Company to ASX in accordance with the ASX Listing Rules as referred to in section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

Details of documents lodged by the Company with ASX since the date of lodgement of the Company's latest annual financial report and before the lodgement of this Prospectus with the ASIC are set out in the table below.

Date	Description of Announcement
17/05/2013	Funding Update
16/05/2013	Rights Issue Timetable
07/05/2013	Shareholder Presentation Update
06/05/2013	Shareholder Presentation
30/04/2013	Quarterly Activities and Cashflow Report
23/04/2013	Chairman's Letter to Shareholders
19/04/2013	Appendix 3B
18/04/2013	Close Out Of Hedge Position
15/04/2013	Fund Raising Update
09/04/2013	Suspension from Official Quotation
08/04/2013	Trading halt
28/03/2013	s708A Notice
28/03/2013	Appendix 3B
28/03/2013	Funding Update
22/03/2013	Funding Update
22/03/2013	Appendix 3X and Appendix 3Z
18/03/2013	Director Resignation / Appointment and Operations Update
18/03/2013	Half Year Accounts
18/03/2013	Appendix 3Z x 3

Date	Description of Announcement
15/03/2013	Reinstatement to Official Quotation
15/03/2013	Board Changes and Funding Update
13/03/2013	Suspension from Official Quotation
11/03/2013	Trading Halt
07/03/2013	Appendix 3Y
01/03/2013	S&P DJ Indices Announces March Quarterly Rebalance
26/02/2013	Appendix 3B and section 708A Notice
26/02/2013	Alcyone Secures \$5.5M in Funding
25/02/2013	Trading Halt
31/01/2013	Quarterly Activities and Cashflow Report
19/12/2012	Texas Silver Operations and Corporate Update
22/11/2012	Results of Meeting
31/10/2012	Quarterly Activities and Cashflow Report
18/10/2012	Notice of Annual General Meeting/Proxy Form

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

The announcements are also available through the Company's website www.alcyone.com.au.

10.3 Market price of shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale prices of the Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest	\$0.028	1 March 2013
Lowest	\$0.01	5 April 2013
Last	\$0.012	5 April 2013

Please note that the Company's Shares have been suspended from trading on ASX since 8 April 2013 and such the above prices (specifically the last closing price) may not provide an accurate indication of the current market price of Shares.

10.4 Interests of Directors

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;

- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Entitlement Offer; or
- (c) the Entitlement Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

- (d) as an inducement to become, or to qualify as, a Director; or
- (e) for services provided in connection with:
 - (i) the formation or promotion of the Company; or
 - (ii) the Entitlement Offer.

Security holdings

The relevant interest of each of the Directors in the securities of the Company as at the date of this Prospectus, together with their respective Entitlement, is set out in the table below.

Director	Shares	Options	Entitlement	\$
Michael Reed	Nil	1,000,000	Nil	Nil
Paul D' Sylva	Nil	Nil	Nil	Nil
Tim Morrison	Nil	Nil	Nil	Nil

Whilst the Board does not own any Shares in the Company and, as such, cannot participate in the Entitlement Offer, each Director recommends Shareholders take up their Entitlement and that they believe the Entitlement Offer is an opportunity to participate in the strengthening of the Company's financial position and receive future Shareholder return from the Company's Texas Silver Project.

Remuneration

The remuneration of an executive Director is decided by the Board, without the affected executive Director participating in that decision-making process. The total maximum remuneration of non-executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed \$400,000 per annum.

A Director may be paid fees or other amounts (ie non-cash performance incentives such as Options, subject to any necessary Shareholder approval) as the other Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a

Director. In addition, Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The following table shows the total (and proposed) annual remuneration paid to both executive and non-executive directors.

Director	2010/2011	2011/2012	2012/2013
Michael Reed ¹	\$35,609	\$357,137	\$400,000 ⁴
Paul D'Sylva ²	n/a	n/a	Nil ⁴
Tim Morrison ³	n/a	n/a	Nil ⁴

Notes:

1. Mr Reed was appointed an executive Director on 15 March 2013 and was recently appointed as Managing Director of the Company. Previous to this appointment, Mr Reed held a senior management position within the Company and was responsible for the management of the Company's Texas Silver Mine.
2. Mr D'Sylva was appointed a Director on 13 March 2013.
3. Mr Morrison was appointed a Director on 13 March 2013.
4. Subject to Shareholder approval at the Shareholder Meeting, the Company may issue up to 505,215,736 Performance Rights (10% of the amount of Shares on issue after completion of the Entitlement Offer) to Messrs Michael Reed, Paul D'Sylva, Tim Morrison and Trevor Harris (Company Secretary and CFO), to be divided equally between these employees (see below for further details).

Board & Senior Management Incentive Package

The Company currently has an employee performance rights plan which was approved by Shareholders on 25 November 2010. The Company will be seeking shareholder approval at the Shareholder Meeting to re-adopt this plan and to implement a non-executive performance rights to allow the Company to issue Performance Rights to non-executive Directors.

Subject to Shareholder approval at the Shareholder meeting, the Company will issue that number of Performance Rights that is equal to 10% of the amount of Shares on issue after completion of the Entitlement Offer to Messrs Michael Reed, Paul D'Sylva, Tim Morrison and Trevor Harris (Company Secretary and CFO) under the relevant performance right plan.

The maximum number of Performance Rights to be issued is 505,215,736 (assuming full subscription under the Entitlement Offer and all Shares to be issued to Celtic Capital are issued prior to completion of the Entitlement Offer). The Performance Rights will be apportioned equally between Messrs Michael Reed, Paul D'Sylva, Tim Morrison and Trevor Harris.

The Performance Rights will vest and convert into Shares (on the basis of 1 Share for every 1 Performance Right) subject to the following performance hurdles being met:

- (a) 50% of the Performance Rights will vest and convert into Shares (on a upon completion of the Entitlement Offer;
- (b) 25% of the Performance Rights will vest and convert into Shares upon the Company first achieving production of 100,000oz of silver in a 1 month period; and
- (c) 25% of the Performance Rights will vest and convert into Shares upon the Company first achieving production of 500,000oz of silver in any 6 month period.

The Performance Rights are being issued as a non cash performance incentive for each of Messrs Reed, D'Sylva, Morrison and Harris.

10.5 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (b) promoter of the Company; or
- (c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (d) the formation or promotion of the Company;
- (e) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Entitlement Offer; or
- (f) the Entitlement Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (g) the formation or promotion of the Company; or
- (h) the Entitlement Offer.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Entitlement Offer. The Company estimates it will pay Steinepreis Paganin \$40,000 (excluding GST and disbursements) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has been paid fees totalling \$93,000 (excluding GST and disbursements) for legal services provided to the Company.

Patersons Securities Limited will be paid a management fee of approximately \$1,055,056 (assuming maximum subscription) in respect of this Entitlement Offer. During the 24 months preceding lodgement of this Prospectus with the ASIC, Patersons Securities Limited has not been paid any fees by the Company.

10.6 Consents

Patersons Securities Limited has given, and at the time of lodgment of this Prospectus, has not withdrawn its consent to be named as Lead Manager to the offer of securities under this Prospectus, in the form and context in which it is named.

Patersons Securities Limited:

- (a) was not involved in the preparation of any part of this Prospectus and has not authorised or caused the issue of the Prospectus
- (b) does not make, or purport to make, any statement in the Prospectus or on which a statement made in the Prospectus is based other than as specified in Section 10.5 of the Prospectus; and
- (c) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of the Prospectus other than a reference to its name and a statement included in the Prospectus with the consent of Patersons Securities Limited as specified in Section 9.9 of the Prospectus.

Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC. Steinepreis Paganin:

- (a) does not make, or purport to make, any statement in this Prospectus other than section 10.5; and
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

10.7 Expenses of the Entitlement Offer

In the event that all Entitlements are accepted, the total expenses of the Entitlement Offer are estimated to be approximately \$1,158,732 (excluding GST) and are expected to be applied towards the items set out in the table below:

	\$
ASIC fees	2,171
ASX fees	45,005
Lead Manager fees ¹	1,055,056
Legal fees	46,000
Printing and distribution	8,500
Miscellaneous	2,000
Total	<u>1,153,732</u>

Notes:

1. The Company will also grant the Lead Manager (or their nominee) up to 195,011,126 Broker Options as part consideration for their services performed as Lead Manager. Refer to Section 9.7 of this Prospectus for further details.

10.8 Electronic prospectus

Pursuant to Class Order 00/44, the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Forms. If you have not, please phone the Company on +61 8 9476 3000 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both. Alternatively, you may obtain a copy of this Prospectus from the Company's website at www.alcyone.com.au.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

10.9 Financial forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

10.10 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company will not be issuing share or option certificates. The Company is a participant in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Shares allotted to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

10.11 Privacy Act

If you complete an application for Securities, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a holder of equity securities in the Company, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Securities, the Company may not be able to accept or process your application.

11. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

Paul D'Sylva
Non-executive Chairman
For and on behalf of
Alcyone Resources Limited

12. GLOSSARY

\$ means the lawful currency of the Commonwealth of Australia.

\$250,000 Bergen Convertible Debt Security means the debt security issued to Bergen Global on 26 March 2013 with an initial face value of \$250,000 and maturing 26 March 2015 and otherwise on the terms summarised in section 9.2 of this Prospectus.

\$750,000 Bergen Convertible Debt Security means the debt security issued to Bergen Global on 26 March 2013 with an initial face value of \$750,000 and maturing 26 March 2015 and otherwise on the terms summarised in section 9.3 of this Prospectus.

Applicant means a Shareholder who applies for Shares pursuant to the Entitlement Offer or a Shareholder or other party who applies for Shortfall Shares pursuant to the Shortfall Offer.

Application Form means an Entitlement and Acceptance Form or Shortfall Application Form as the context requires.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

ASX Listing Rules means the listing rules of the ASX.

ASX Settlement Operating Rules means the settlement rules of the securities clearing house which operates CHESS.

Bergen Debt Security means the Debt Security with an initial face value of \$1,200,000 issued to Bergen Global on the terms summarised at section 9.5 of this Prospectus.

Bergen Global means Bergen Global Opportunity Fund II, LLC.

Bergen Global Convertible Securities Agreement means the agreement of that name dated 24 February 2013 between the Company and Bergen Global under which the First Bergen Global Convertible Security was issued.

Board means the board of Directors unless the context indicates otherwise.

Broker Offer means the offer of Broker Options offered under this Prospectus.

Broker Options means up to 195,011,126 New Options to be issued to Patersons (or their nominee) as part consideration for Patersons acting as Lead Manager to the Entitlement Offer.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.

Celtic Capital means Celtic Capital Pty Ltd (ACN 120 688 262).

Celtic Convertible Debt Securities means 1,800,000 debt securities issued to Celtic Capital on 15 April 2013 with an initial face value of \$1.00 each and

maturing 11 October 2013 and otherwise on the terms summarised section 9.4 of this Prospectus.

Celtic Convertible Securities means 1,800,000 convertible securities to be issued to Celtic Capital as a replacement of the Celtic Convertible Debt Securities, on the terms summarised section 9.4 of this Prospectus.

Celtic Offer means the offer of 36,000,000 New Options to Celtic Capital which are being issued under the terms of the Celtic Convertible Securities and offered under this Prospectus.

Cleansing Statement means a written notice by the Company to the ASX under section 708A(5) of the Corporations Act that meets the requirements of section 708A(6) of the Corporations Act and permits secondary trading of Shares on the ASX.

Closing Date means the date specified in the timetable set out at the commencement of this Prospectus (unless extended).

Company means Alcyone Resources Limited (ACN 056 776 160).

Company Group means the Company and any of its subsidiaries.

Convertible Security means a convertible security issued by the Company that is convertible into Shares by the holder or otherwise by the terms of its issue.

Constitution means the constitution of the Company as at the date of this Prospectus.

Corporations Act means the Corporations Act 2001 (Cth).

Debt Security means an unsecured note, debenture, or any other security that ASX deems to be a debt security, which the Company currently has on issue.

Directors means the directors of the Company as at the date of this Prospectus.

Eligible Shareholders means shareholders that are eligible to participate in the Entitlement Offer under the terms of this Prospectus.

Entitlement means the entitlement of a Shareholder who is eligible to participate in the Entitlement Offer.

Entitlement Offer means the non-renounceable entitlement issue the subject of this Prospectus.

Entitlement and Acceptance Form means the entitlement and acceptance form either attached to or accompanying this Prospectus.

Equity Placement Facility means the equity placement facility between the entered into between the Company and Celtic Capital on 10 April 2013 which is summarised at section 9.6 of this Prospectus.

Exposure Period means the period of 7 days after the date of lodgement of this Prospectus, which period may be extended by the ASIC by not more than 7 days pursuant to Section 727(3) of the Corporations Act.

First Bergen Global Convertible Security means the convertible security issued by the Company to Bergen Global on 26 February 2013 with an initial face value of

\$1,312,500 (current face value of \$1,062,500) maturing on 24 February 2015 and otherwise on the terms summarised in section 9.1 of this Prospectus.

General Security Deed means the General Security Deed between the Company and Bergen Global dated 26 March 2013 which secures payment of all amounts owing to Bergen Global via the grant of a security interest over of all its present and future acquired personal property, a mortgage over all the Company Group's mining tenements, and a fixed charge over all the Company's present and after acquired property that is not classified as personal property.

Lead Manager means Patersons in their capacity as lead manager to the Entitlement Offer.

New Option means an Option issued on the terms set out in section 7.2 of this Prospectus.

Notice of Meeting means the notice of meeting to be sent to Shareholders in accordance with the timetable at Section 2 of this Prospectus, which, amongst other things, seeks Shareholder approval for the Entitlement Offer.

Offers mean the Entitlement Offer, Celtic Offer, Broker Offer and Shortfall Offer.

Official Quotation means official quotation on ASX.

Off-take Agreement is defined at section 5.2(b) of this Prospectus.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Patersons means Patersons Securities Limited.

Performance Rights means any performance rights on issue in the capital of the Company that are convertible into Shares upon meeting certain performance hurdles and otherwise in accordance with the terms of issue.

Prospectus means this prospectus.

Record Date means the date specified in the timetable set out at the commencement of this Prospectus.

Second Bergen Global Convertible Security means the Convertible Security to be issued to Bergen Global as a replacement of the \$250,000 Bergen Convertible Debt Security, on the terms summarised in section 9.2 of this Prospectus.

Securities means Shares and/or New Options offered pursuant to the Entitlement.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Shareholder Meeting means the Shareholder general meeting to be held in accordance with the timetable at Section 2 of this Prospectus, which seeks shareholder approval for the matters set out in the Notice of Meeting.

Shortfall means the Securities not applied for under the Entitlement Offer (if any).

Shortfall Application Form means a Shortfall application form to be given to potential investors at the absolute discretion of the Directors to allow third parties to subscribe for the Shortfall.

Shortfall Offer means the offer of the Shortfall on the terms and conditions set out in section 5.6 of this Prospectus.

Shortfall Securities means those Securities issued pursuant to the Shortfall.

Silver Stream Agreement is defined at section 5.2(b) of this Prospectus.

Texas Silver Mines means Texas Silver Mines Pty Ltd, the Company's wholly owned subsidiary.

Third Bergen Global Convertible Security means the Convertible Security to be issued to Bergen Global as a replacement of the \$750,000 Bergen Convertible Debt Security, on the terms summarised in section 9.3 of this Prospectus.

VWAP means volume weighted average price of Shares.

WST means Western Standard Time as observed in Perth, Western Australia.

YA Global means YA Global Master SPV, Ltd.

YA Global Convertible Security means the convertible security issued by the Company to YA Global on 26 February 2013 with an initial face value of \$1,312,500 (current face value of \$1,112,500) and maturing 24 February 2015 and otherwise on the terms summarised in section 9.1 of this Prospectus.

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12

Name of entity

Alcyone Resources Limited

ABN

056 776 160

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|--|--|
| 1 | +Class of +securities issued or to be issued | (a) Ordinary fully paid shares
(b) Options exercisable at 1c on or before 31 July 2015 |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | (a) 3,250,185,432 ordinary shares
(b) 1,625,092,716 options @ \$0.01
(to be confirmed depending upon acceptances) |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | <u>Ordinary shares</u>
Ordinary shares will rank parri passu with existing ordinary shares.
<u>Options</u>
Listed Options exercisable at \$0.01c, expiring 31 July 2015 |

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

<p>4 Do the ⁺securities rank equally in all respects from the date of allotment with an existing ⁺class of quoted ⁺securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>Yes</p>
<p>5 Issue price or consideration</p>	<p>(a) \$0.005c per share (b) Options are free attaching at 1 for every 2 shares subscribed</p>
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>Shares and options issued pursuant to the Prospectus for a pro-rata non-renounceable entitlement issue lodged 29 May 2013</p>
<p>6a Is the entity an ⁺eligible entity that has obtained security holder approval under rule 7.1A?</p> <p>If Yes, complete sections 6b – 6h <i>in relation to the ⁺securities the subject of this Appendix 3B</i>, and comply with section 6i</p>	<p>Yes</p>
<p>6b The date the security holder resolution under rule 7.1A was passed</p>	<p>22 November 2012</p>
<p>6c Number of ⁺securities issued without security holder approval under rule 7.1</p>	<p>Nil</p>
<p>6d Number of ⁺securities issued with security holder approval under rule 7.1A</p>	<p>Nil</p>

+ See chapter 19 for defined terms.

6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	N/A							
6f	Number of securities issued under an exception in rule 7.2	Up to : a) 3,250,185,432 Ordinary Shares, and b) 1,625,092,716 \$0.01 options expiring 31 July 2015							
6g	If securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the issue date and both values. Include the source of the VWAP calculation.	N/A							
6h	If securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements	N/A							
6i	Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements	7.1 – 7,806,532 securities 7.1A – 152,629,567 securities							
7	Dates of entering +securities into uncertificated holdings or despatch of certificates	Scheduled despatch date is 1 August 2013							
8	Number and +class of all +securities quoted on ASX (including the securities in section 2 if applicable)	<table border="1" style="width: 100%;"> <thead> <tr> <th style="text-align: left;">Number</th> <th style="text-align: left;">+Class</th> </tr> </thead> <tbody> <tr> <td>4,875,278,148 (to be confirmed depending on acceptances)</td> <td>Fully paid ordinary shares.</td> </tr> <tr> <td>60,839,105</td> <td>Options exercisable at \$0.06 each expiring 14 May 2015</td> </tr> </tbody> </table>	Number	+Class	4,875,278,148 (to be confirmed depending on acceptances)	Fully paid ordinary shares.	60,839,105	Options exercisable at \$0.06 each expiring 14 May 2015	
Number	+Class								
4,875,278,148 (to be confirmed depending on acceptances)	Fully paid ordinary shares.								
60,839,105	Options exercisable at \$0.06 each expiring 14 May 2015								

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

	Number	+Class
9 Number and +class of all +securities not quoted on ASX (including the securities in section 2 if applicable)	1,000,000	Options \$0.11 each, expiring 31.03.2015
	1,000,000	Options \$0.15 each, expiring 31.08.2015
	166,666	Performance share rights expiring 29.11.2015
	26,000,000	Options \$0.0496 each, expiring 26.02.2016
	1,625,092,716 (to be confirmed depending on acceptances)	Options \$0.01 each, expiring 31.07.2015
	1	Convertible security with a face value of A\$1,112,500.
	1	Convertible security with a face value of A\$1,062,500.
	1	Convertible debt security with a face value of A\$250,000.
	1	Convertible debt security with a face value of A\$750,000.
	1,800,000	Convertible debt securities each with a face value of A\$1.
	1	Debt security with a face value of \$1,200,000

10 Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests) Not Applicable

Part 2 - Bonus issue or pro rata issue

11 Is security holder approval required? Yes

+ See chapter 19 for defined terms.

12	Is the issue renounceable or non-renounceable?	Non-Renounceable
13	Ratio in which the +securities will be offered	2 for 1
14	+Class of +securities to which the offer relates	a) Ordinary fully paid shares b) \$0.01 Options
15	+Record date to determine entitlements	7 June 2013
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	Not Applicable
17	Policy for deciding entitlements in relation to fractions	Rounded up to the nearest whole number
18	Names of countries in which the entity has +security holders who will not be sent new issue documents <small>Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.</small>	Entitlement offer restricted to residents of Australia, New Zealand, Germany, Hong Kong, Singapore, Switzerland, the United Kingdom or Thailand
19	Closing date for receipt of acceptances or renunciations	24 July 2013

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

20	Names of any underwriters	Not Applicable
21	Amount of any underwriting fee or commission	Not Applicable
22	Names of any brokers to the issue	Patersons
23	Fee or commission payable to the broker to the issue	Corporate Advisory Fee : \$80,000 Subscription fee: 6% of the dollar amount raised by the issue. Selling Fee: 6% of the dollar amount sold as a shortfall to the rights issue Option Fee: that number of listed options (exercisable at \$0.01 on or before 31 July 2015) equivalent to 6% of the total number of shares issued under the proposed Rights Issue.
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of +security holders	Not Applicable
25	If the issue is contingent on +security holders' approval, the date of the meeting	Not Applicable
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	14 June 2013
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	29 May 2013
28	Date rights trading will begin (if applicable)	Not Applicable
29	Date rights trading will end (if applicable)	Not Applicable
30	How do +security holders sell their entitlements <i>in full</i> through a broker?	Not Applicable
31	How do +security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	Not Applicable

+ See chapter 19 for defined terms.

- 32 How do +security holders dispose of their entitlements (except by sale through a broker)? Not Applicable
- 33 +Despatch date 1 August 2013

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

- 34 Type of securities
(tick one)
- (a) Securities described in Part 1
- (b) All other securities
Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

- 35 If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders
- 36 If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over
- 37 A copy of any trust deed for the additional +securities

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

Entities that have ticked box 34(b)

38	Number of securities for which +quotation is sought	Not Applicable	
39	Class of +securities for which quotation is sought	Not Applicable	
40	<p>Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	Not Applicable	
41	<p>Reason for request for quotation now</p> <p>Example: In the case of restricted securities, end of restriction period</p> <p>(if issued upon conversion of another security, clearly identify that other security)</p>	Not Applicable	
42	Number and +class of all +securities quoted on ASX (including the securities in clause 38)	Number	+Class
		Not Applicable	

+ See chapter 19 for defined terms.

Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.



Sign here: Date:29.5.13.....
(Company secretary)

Print name:TREVOR HARRIS.....

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+ See chapter 19 for defined terms.

Appendix 3B – Annexure 1

Calculation of placement capacity under rule 7.1 and rule 7.1A for +eligible entities

Introduced 01/08/12

Part 1

Rule 7.1 – Issues exceeding 15% of capital	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
Insert number of fully paid ordinary securities on issue 12 months before date of issue or agreement to issue	1,387,899,821
Add the following: <ul style="list-style-type: none"> • Number of fully paid ordinary securities issued in that 12 month period under an exception in rule 7.2 • Number of fully paid ordinary securities issued in that 12 month period with shareholder approval • Number of partly paid ordinary securities that became fully paid in that 12 month period <p><i>Note:</i></p> <ul style="list-style-type: none"> • <i>Include only ordinary securities here – other classes of equity securities cannot be added</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	126,937,180 11,458,666
Subtract the number of fully paid ordinary securities cancelled during that 12 month period	-
“A”	1,526,295,667

+ See chapter 19 for defined terms.

Step 2: Calculate 15% of “A”	
“B”	0.15
Multiply “A” by 0.15	228,944,350
Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used	
<p>Insert number of equity securities issued or agreed to be issued in that 12 month period <i>not counting</i> those issued:</p> <ul style="list-style-type: none"> • Under an exception in rule 7.2 • Under rule 7.1A • With security holder approval under rule 7.1 or rule 7.4 <p><i>Note:</i></p> <ul style="list-style-type: none"> • <i>This applies to equity securities, unless specifically excluded – not just ordinary securities</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	<p>221,137,818 securities comprising:</p> <p>95,797,049 fully paid ordinary shares</p> <p>26,000,000 Options exercisable at A\$0.0496 each expiring 26 February 2016.</p> <p>8,823,529 Listed options exercisable at \$0.06 expiring 14 May 2015.</p> <p>Convertible Securities</p> <p>(a) 1 Convertible Security issued with a face value of \$1,312,500 (currently has a face value of \$1,112,500), which at the time of issue was convertible into up to 45,258,620 ordinary shares if converted at \$0.029 each (being 90% of the market price at the date of issue of the Convertible Securities). The actual number of Ordinary shares issued on conversion of the Convertible Securities will depend on the market price of Ordinary Shares at the time of conversion.</p> <p>(b) 1 Convertible Security issued with a face value of \$1,312,500 (currently has a face value of \$1,062,500), which at the time of issue was convertible into up to 45,258,620 ordinary shares if converted at \$0.029 each (being 90% of the market price at the date of issue of the Convertible Securities). The actual number of Ordinary shares issued on conversion of the Convertible Securities will depend on the market price of Ordinary Shares at the time of conversion.</p>
“C”	221,137,818
Step 4: Subtract “C” from [“A” x “B”] to calculate remaining placement capacity under rule 7.1	
“A” x 0.15	228,944,350
Subtract “C”	221,137,818
Total [“A” x 0.15] – “C”	7,806,532 <i>[Note: this is the remaining placement capacity under rule 7.1]</i>

+ See chapter 19 for defined terms.

Part 2

Rule 7.1A – Additional placement capacity for eligible entities	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
“A” <i>Note: number must be same as shown in Step 1 of Part 1</i>	1,526,295,667
Step 2: Calculate 10% of “A”	
“D”	0.10 <i>Note: this value cannot be changed</i>
Multiply “A” by 0.10	152,629,567
Step 3: Calculate “E”, the amount of placement capacity under rule 7.1A that has already been used	
Insert number of equity securities issued or agreed to be issued in that 12 month period under rule 7.1A <i>Notes:</i> <ul style="list-style-type: none"> • <i>This applies to equity securities – not just ordinary securities</i> • <i>Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>Do not include equity securities issued under rule 7.1 (they must be dealt with in Part 1), or for which specific security holder approval has been obtained</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	Nil
“E”	Nil

+ See chapter 19 for defined terms.

Step 4: Subtract “E” from [“A” x “D”] to calculate remaining placement capacity under rule 7.1A	
<p>“A” x 0.10</p> <p><i>Note: number must be same as shown in Step 2</i></p>	152,629,567
<p>Subtract “E”</p> <p><i>Note: number must be same as shown in Step 3</i></p>	Nil
<p>Total [“A” x 0.10] – “E”</p>	<p>152,629,567</p> <p><i>Note: this is the remaining placement capacity under rule 7.1A</i></p>

+ See chapter 19 for defined terms.