



Alcyone to Recapitalise Balance Sheet with \$14m Capital Raising

- Alcyone proposing to raise up to A\$14M through a 3-for-2 non-renounceable pro-rata entitlements issue at 0.6c per share plus a 1-for-2 free attaching July 2015 option exercisable at 1c per share.
 - Patersons Securities Limited appointed as Corporate Adviser and Lead Manager to the issue.
 - New simplified funding framework and well capitalized balance sheet – Up to A\$14M straight equity with a A\$10M rolling pre-pay facility.
 - Raising will enable pay down of outstanding debt and fund operational improvements to achieve annual silver production in excess of 1Moz.
 - Revamped board and management led by new Chairman, Dr Paul D'Sylva to implement recapitalisation and operational improvement program.
 - The Company's securities will remain suspended from trading on ASX until the proposed entitlements issue is completed.
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Alcyone Resources (ASX: AYN) (the "Company") is pleased to announce that it has appointed Patersons Securities Limited ("Patersons") to act as Corporate Adviser and Lead Manager of a non-renounceable pro-rata rights issue to shareholders to raise up to A\$14 million.

This raising will enable the Company to recapitalise and simplify its funding framework. The funds raised will be used to pay down outstanding debt and fund operational improvements including key plant and equipment upgrades at the Company's flagship Texas Silver Operations in south-east Queensland. The funds will provide sufficient working capital to allow the Company to work towards annual silver production in excess of 1Moz.

The raising is conditional on the Company obtaining necessary waivers of the ASX Listing Rules from the Australian Securities Exchange (ASX) to allow the Company to proceed. The Company anticipates being in a position to advise shareholders if the raising will proceed by Friday, 19 April 2013.

Alcyone has also progressed interim funding arrangements, including completion of A\$1.8 million bridge financing through the issuance of convertible promissory notes. In addition, formal documentation for a recently announced A\$10 million pre-pay facility being provided by a global resources investment fund is well progressed. This facility is intended to be retained following completion of the capital raising.

Entitlements Issue

The Company has appointed Patersons as Corporate Adviser and Lead Manager to undertake a non-renounceable, pro-rata entitlements issue on the basis of three (3) new shares for every two (2) shares held at the record date at an issue price of 0.6 cents per share to raise a total of up to A\$14 million ("Entitlements Issue"). Subscribers to the rights issue will also receive one (1) free attaching option for every two (2) shares subscribed for exercisable at 1c per share on or before 31 July 2015 ("Options").

The minimum equity raising will be \$4 million after which Alcyone will have 2.225 billion shares and 333.4 million options on issue. Should the full \$14 million be raised, the Company will have 3.897 billion shares and 1.169 billion options on issue.

Subject to receiving the necessary ASX waivers to undertake the Entitlements Issue, the Company intends to lodge a Prospectus setting out the details of the offer with the Australian Securities and Investments Commission (ASIC) and the Australian Securities Exchange (ASX) by the end of April 2013. Following this the ASX statutory timetable would commence, with expectations of completion by early June 2013. Completion will require shareholder approval and the Company will issue a Notice of Meeting as soon as practicable. Subject to ASX approvals, it is the Company's intention to run these processes contemporaneously.

The Company intends to remain in voluntary suspension until it completes its refinancing, inclusive of the Entitlements Issue, after which trading is expected to resume.

Use of Funds

The proceeds of the capital raising will be used for the following purposes.

- To repay outstanding debt and consolidate Alcyone's funding arrangements.
- To fund key operational improvements at the Texas Silver Operations including execution of the previously announced improvements to the crushing circuit as well as construction of a new power line and purchase of key mining equipment.
- To strengthen the Company's overall working capital position.

These key operational improvements will result in reduced operational overheads, lower unit costs and increased production, helping the Company to achieve its targeted production levels while also improving operating margins.

Interim Funding Update

Alcyone has now completed the bridge funding detailed in previous announcements (see ASX Announcements – 28 March and 22 March 2013), through the issue of A\$1.8 million in convertible promissory notes. These notes are intended to be repaid following completion of the Entitlements Issue.

The Company has further established a A\$10 million standby line of funding. The financing has been completed with funding to be provided by Celtic Capital Pty Ltd.

Under the terms of the Standby Line of Funding, Celtic Capital has committed to invest up to A\$10 million into the Company over a three year period, subject to the Company having sufficient placement capacity and the Company's shares coming out of suspension. There is no obligation for the Company to utilise this facility during this period, nor does it prevent the Company from undertaking any other capital raisings. The facility does not have any penalties for non-usage or termination. The facility is not expected to be retained following completion of the Entitlements Issue.

Alcyone is progressing formal documentation to complete the A\$10 million rolling pre-pay facility announced on 28 March. This facility will be retained following completion of the Entitlement Issue and would only be used to the extent required dependent on the final quantum of new equity capital raised.

Alcyone Chairman Dr Paul Sylva said the turnaround of the Texas Silver Operations project was all about getting a solid and simplified financial structure in place to allow the relatively straight forward operational improvements to be implemented.

"This is a project in production that has the potential to deliver very solid earnings and cash flow if we get this process right. Despite two one in one hundred year floods, plant constraints and unfortunate board and management issues last year, Alcyone still managed to produce 439,000 ounces of silver in the six months to 31 December 2012. We've managed to achieve significant cost reductions to corporate overheads over recent months even before implementing our operational improvements." Dr D'Sylva said.

"We know what needs to be done to turn this company around and we're taking the steps required. We think it is appropriate to give existing shareholders the opportunity to support Alcyone at the discounted price in this rights issue and participate in the upside from our flagship silver project."

ENDS**For further information:**

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About Alcyone

Alcyone Resources (ASX Ticker: AYN) commenced silver production in July 2011 at its Texas Silver & Polymetallic Project in south-east Queensland, with targeted annual silver production levels in excess of 1Moz. Alcyone has embarked on an exciting new growth phase with aggressive exploration programs underway aiming to establish a 7-10 year mine life and targeting new silver and base metal discoveries within its now 1,100km² tenement holding.

The Texas Silver & Polymetallic Project includes the Twin Hills Silver Mine and a portfolio of advanced silver and polymetallic base metal exploration targets. Alcyone has moved rapidly from acquisition of the Project in November 2009, through re-assessment and feasibility and into production.

Forward-Looking Statement

Certain statements made during or in connection with this communication, including, without limitation, those concerning exploration targets, contain or comprise certain forward-looking statements regarding Alcyone's exploration operations, economic performance and financial condition. Although Alcyone believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of, among other factors, changes in economic and market conditions, success of business and operating initiatives, changes in the regulatory environment and other government actions, fluctuations in metals prices and exchange rates and business and operational risk management. Alcyone undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events.