



ALCYONE SECURES SILVER PURCHASE AGREEMENT AND ADDITIONAL BRIDGE FUNDING

- Alcyone signs definitive Silver Purchase Agreement with Preciosa Streaming Company with an upfront US\$10M investment to be paid, subject to satisfaction of conditions, in two US\$5M instalments.
- The first US\$5M instalment will be structured as a cash payment, with up to US\$3M to be invested via subscription for securities under the shortfall offer associated with the Company's A\$16.25M non-renounceable rights issue ("Rights Issue") due to close on 2 August 2013.
- The second and final US\$5M cash payment will be payable upon the Company achieving certain stated milestones, principally three months of successful production past certain thresholds post commissioning.
- Funding further strengthens the balance sheet, the agreement provides access to key technical expertise and enables the Company to realise substantial value from the future expected output of the Texas Silver Project.
- Additional bridge funding with Platinum Capital Limited secured through convertible notes with A\$1.5M face value.

Silver Purchase Agreement

Further to the ASX Announcement of 17 May 2013, Alcyone Resources (ASX: AYN) ("Alcyone" or the "Company") is pleased to announce that it has signed a definitive Silver Purchase Agreement ("Silver Purchase Agreement") with leading financial institution, Preciosa Streaming Company ("Preciosa").

The Silver Purchase Agreement provides that Preciosa shall have the right to purchase an amount of silver equal to 17.5% of the amount of Payable Silver (as defined below) ("Metal Stream") produced from Alcyone's Texas Silver Project (and any tenements owned by the Company or any of its subsidiaries from time to time within 80km of the Project) (together, the "Mining Properties") for an initial term of eighteen months commencing on the Effective Date. Following that period, Preciosa shall have the right to purchase 15.0% of Payable Silver produced from the Mining Properties for the Life of Mine. Preciosa has agreed to pay the lesser of US\$6.50 or 80% of the prevailing market price per ounce of silver fixing price in US dollars in cash for each ounce of refined silver sold under the Silver Price Agreement.

Preciosa has agreed, subject to the satisfaction or waiver of the conditions set out in the summary of the Silver Purchase Agreement below on or before 2 August 2013 (or such later date as agreed between the parties), to invest US\$10M as consideration for the Company and Texas Silver Mines Pty Ltd ("Texas Silver") entering into the Silver Purchase Agreement, to be paid in two instalments of US\$5M. The first instalment of US\$5M will be made up of up to US\$3M ("Subscription Amount") to be used towards the subscription by Preciosa of Alcyone shares (and free attaching options) via the shortfall offer associated with the Rights Issue ("Shortfall"), together with a US\$2M cash payment as the second instalment. The second US\$5M instalment will be payable to the Company upon it achieving certain stated milestones, principally three months of successful production post commissioning.

The Silver Purchase Agreement, and the US\$10M upfront investment, are subject to conditions (as detailed further below). The key condition requires the Company to receive cleared subscription funds of at least A\$6M under the Rights Issue and Shortfall (inclusive of Preciosa's US\$3M subscription) on or before 2 August 2013 (or such later date as agreed).

Bridge Finance

Alycone has also secured additional capital from US based investor, Platinum Capital Limited (“Platinum”), through the issue of convertible notes with a face value of A\$1.5M. 25% of notes are repayable after 45, 60, 90 and 120 days from the date of issue respectively. Platinum may elect to redeem some or all of the notes to subscribe for Shortfall associated with the Rights Issue. Conversion of 75% of the notes is subject to shareholder approval.

Alycone's Chairman, Dr Paul D'Sylva said that the execution of the Silver Purchase Agreement and bridge finance agreement was a great result for the Company.

“It is a very encouraging for the Company that a key financial institution such as Preciosa, with significant knowledge of both the silver market and mining, is willing to make a life-of-mine investment in our business. This commitment further reinforces the medium and long term value of the project, and validates our current strategy and the ability of the new board and management team to deliver on stated operational improvements.” Dr D'Sylva said.

“I trust that the endorsement and support of these two key investors will further boost our shareholder's confidence that the Company is now well positioned to ride out current market volatility and encourage them to participate in the current rights issue so that they can share in the future benefits of the company.”

Preciosa Terms

Additional material terms of the agreement with Preciosa are set out below.

- a) The Silver Purchase Agreement is subject to various conditions that must be satisfied or waived by 2 August 2013 (or such later date as agreed by Preciosa) including:
 - Alycone and Texas Silver entering into a first-ranking or pari passu security interest in favour of Preciosa by way of a general security deed over their assets and mining mortgages over each of the Mining Properties (“Security”). The Security will terminate upon Texas Silver delivering 350,000 oz of Refined Silver to Preciosa;
 - Preciosa having been granted at least pari passu rights with existing senior creditors of Alycone and any of its subsidiaries pursuant to a deed of priority and removal of all securities granted by Alycone or Texas Silver in favour of Powerline Value Fund II, LLC (“Powerline”);
 - Alycone causing its legal counsel to deliver legal opinions to the effect that the Security is enforceable and has been registered;
 - the termination of the silver purchase agreement dated 7 June 2013 between Powerline, Alycone and Texas Silver;
 - all necessary regulatory, shareholder and third party approvals being obtained. The Company does not anticipate that any regulatory or shareholder approvals are required and is seeking necessary third party consents;
 - execution and registration of a royalty agreement under which Preciosa will be granted a perpetual 6% gross value royalty (“GVR”) on all gross revenues of the Mining Properties, payable quarterly in arrears, should Texas Silver not deliver 100,000 ounces of Payable Silver (Ag) under the terms of the Silver Purchase Agreement within eighteen months of the Effective Date or if there is a material breach or default by the Company or Texas Silver under the Silver Purchase Agreement;
 - existing senior creditors of Alycone and Texas consenting to the creation and registration of the Security;
 - each of Alycone and Texas Silver confirming that there are no events of default or potential events of default under the Silver Purchase Agreement; and
 - completion of satisfactory due diligence by Preciosa, acting reasonably.

- b) The first US\$5M investment (being the Subscription Amount of US\$3M and the US\$2M cash payment), is subject to the following conditions:
 - the Company receiving cleared subscription funds of at least A\$6M under the Rights Issue and Shortfall (inclusive of the Subscription Amount) before 2 August 2013 (or such later date as agreed);
 - to the extent the issue of Alycone Shares under the Rights Issue and Shortfall will result in Preciosa acquiring more than a 19.9% interest in Alycone, Preciosa will only be issued that number of Alycone shares that will result in Preciosa having a 19.9% interest in Alycone and any remaining sum of the

Subscription Amount will be held by Alcyone in consideration of the entry by the parties into the Silver Purchase Agreement; and

- the Company either receiving valid subscriptions totalling at least AU\$13M under the Rights Issue and Shortfall, or existing promissory note holders and non-supplier creditors agreeing to a standstill pursuant to which they will be repaid in cash not before nine months after completion of the Rights Issue and Shortfall.
- c) Preciosa will be entitled to nominate two non executive directors of the Company and Texas upon being issued securities under the Shortfall.
- d) The agreement can be terminated in the event the Company does not receive at least A\$6M in subscriptions under the Rights Issue and Shortfall (inclusive of Preciosa's US\$3M subscription) on or before 2 August 2013.
- e) The second US\$5M instalment will be payable to the Company after the Effective Date and upon it achieving the following milestones, to be determined in the reasonable judgment of Preciosa:
 - The installation of the new crushing circuit.
 - Three consecutive months of independently verified crushing throughput of greater than 85,000 tons per month, and three consecutive months of refined production greater than 70,000 ounces Ag.
 - The instalment, active commissioning and utilization of the powerline connecting to the commercial power grid and other key operational improvements..
 - Minimum silver price of US\$17.50 as quoted by the London Bullion Market Association spot price at the time of three consecutive months of throughput greater than 85,000 tons per month and three consecutive months of refined production of greater than 70,000 ounces Ag.
- f) The US\$10M investment must be used exclusively to develop the Mining Properties and to lower operating costs.
- g) As from the date of execution of the Silver Purchase Agreement, Alcyone and Texas Silver are prohibited from incurring any additional encumbrances on their respective assets without the prior consent of Preciosa.
- h) Preciosa has agreed to collaborate with the Company in relation to acquiring other silver mining projects, in return for a right to silver production on those projects, for a quantity to be agreed, on similar commercial terms. Preciosa also has a first right of refusal for other silver sales or royalties.
- i) Subject to the termination provisions in the Silver Purchase Agreement, the term of the Silver Purchase Agreement is for 40 years after the Effective Date. The agreement contains standard commercial terms for an agreement of this nature, including in relation to the conduct of operations and consent requirements for creating additional encumbrances and indebtedness, and to issue additional securities (including conversion of debt) and entering into any prepay facility.

For the purposes of the Silver Purchase Agreement:

“Effective Date” means the later of (i) the Company receiving at least A\$6M in valid subscriptions from the Rights Issue and associated shortfall offer and (ii) the commencement of normal mining operations after the proposed plant shutdown for the crusher upgrade as determined in Preciosa's sole discretion; and

“Payable Silver” means the number of ounces of silver mined, produced, extracted or otherwise recovered from the Mining Properties, less the number of ounces of silver deducted by the refinery on account of the processing of such silver into refined silver.

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About Alcyone

Alcyone Resources (ASX:AYN) is a pure play low cost silver producer based in south-east Queensland. Alcyone's Texas Silver Project (100% owned) which includes the Twin Hills Mine and Mount Gunyan commenced silver production in July 2011, with targeted annual silver production levels in excess of 1Moz.

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.