



Alcyone Secures Silver Purchase Agreement with Powerline Value Fund

- US\$10M Silver Purchase (Off-take) Agreement with Powerline Value Fund executed.
 - Silver off-take agreement for delivery of the Company's silver production from its Texas Silver Mine.
 - Further A\$1.4M in Promissory Note Facility executed with Celtic Capital Pty Ltd providing additional bridge financing for the Company.
 - Another positive step towards the recapitalisation and restructure of Alcyone's Texas Silver operations.
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Alcyone Resources (ASX: AYN) (the "Company") is pleased to announce that it has achieved a major milestone in advancing the recapitalisation and restructure of its Texas Silver project in Queensland with the signing of a three-year Silver Purchase (Off-take) Agreement ("Agreement") containing a US\$10M secured Prepayment Debt Facility (the "Transaction") with Powerline Value Fund II, LLC ("Powerline").

Powerline Value Fund II, LLC is a US-based institutional investor with a particular focus on royalties, precious metal loans and other non-equity investments in emerging commodity producers.

Background

In ASX Announcements dated 28 March 2013, 15 April 2013 and 30 April 2013, the Company announced it was in negotiations with a third party in relation to a rolling \$10M purchase and off-take agreement under which the Company will repay outstanding amounts via delivery of silver from the Company's projects. The binding Agreement has now been executed and concludes these negotiations. At least \$2M in funding under the Agreement will be undertaken in line with the closing of the current rights offering.

On 30 May 2013, the Company made available to the market a Prospectus in connection with a non-renounceable rights issue (the "Entitlement Offer") of up to \$16.25M. Under the Prospectus, the rights issue is conditional on the Company entering into a \$10M off-take or silver stream agreement and having at least \$2M of drawn funding unconditionally available at the closing date under one of these agreements. **The funding under this Agreement achieves the satisfaction of this condition.**

The Transaction is considered by the Board to be a major step forward for the Company with the proceeds under the Agreement to be used for general working capital to advance the Company's Texas silver project to nameplate production capacity of 1.25M oz per annum.

Silver Purchase (Off-take) Agreement

Under the terms of the Agreement, Powerline will prepay for a certain level of the Company's silver production (up to a maximum of US\$10M), and the Company will satisfy such prepayment by way of delivery of silver, over the course of three years. Alternatively, during the term, the Company may choose to sell silver to Powerline in spot transactions. The initial prepayment will be made promptly following the conclusion of the Entitlement Offer, in the amount of at least \$2M. Powerline has the option to extend the Agreement by a further two years.

Alcyone's Non-Executive Chairman, Dr Paul D'Sylva, said the signing of the Silver Purchase Agreement with Powerline represented a key milestone in the Company's plans to restructure its balance sheet and operations to become a leading profitable Australian silver mining company.

“Securing the support of a strategic institutional investor like Powerline confirms the quality and potential of the Texas Silver Mine. We are very pleased to have Powerline’s support in the future growth of the Company and we look forward to working with them,” Dr D’Sylva said.

As part of the Transaction, Powerline has the right to nominate two representatives for appointment to the Board of the Company following the drawing of the initial advance, which is anticipated to occur in July, 2013.

Interim Funding Update

Alcyone has now partially completed the required bridge funding detailed in previous announcements through the execution of a A\$1.4M Promissory Note Facility with the Company of which A\$1.08M in convertible promissory notes has been drawn. It is anticipated that the balance of the Facility will be drawn shortly. These notes are intended to be repaid following the successful completion of the Entitlements Issue.

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About Alcyone

Alcyone Resources (ASX: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.