



## ASX ANNOUNCEMENT

5 March 2014

### Company Update

#### Key Points

- Termination of Credit Facility and Red Arrow Acquisition
- Rights Issue to raise up to circa \$13.8m to pay out existing debt and fund working capital
- General Meeting of Shareholders to approve aspects of the restructure and consolidation of capital
- Mining operations suspended pending completion of the Rights Issue and Company restructure
- Streamlined Board to manage the transitional arrangements

#### **Termination of the Platinum Facility and Red Arrow Acquisition**

The Board of Alcyone Resources Limited (AYN or The Company) wishes to advise the market that the negotiations between Platinum Partners and the Company's existing secured debt holder in relation to the Company's expansion plans announced on 11 December 2013 are incomplete and in the Board's view unable to be completed. The consequence of the failure to agree the transfer of security to Platinum is that the arrangements announced to the Market on 11 and 24 December in relation to the \$25M revolving line of credit and the acquisition of the Red Arrow Mine will not proceed as advised.

#### **Corporate Restructure and Proposed Rights Issue**

As a result of these events, the Board reviewed the funding requirements of the Company in light of its existing debt facilities and creditor position.

The Company intends to undertake a renounceable rights issue on the basis of 2 new shares for every share held at an issue price of 0.1 cent per share to raise up to \$13.8m. ("Rights Issue") For every 10 new shares subscribed for the Company will grant one new option exercisable at 0.1 cent with an expiry date of 31 May 2021. These options will be a new class of option and subject to the ASX Listing rules for quotation, the Company intends to apply for the listing of them.

The Company is cognisant that its capital structure is unwieldy and has resolved, subject to shareholder approval, to undertake a consolidation of capital on a 20 for 1 basis. It is anticipated that the Rights Issue will be conducted following shareholder approval of the consolidation of the capital of the Company so the issue price for the shares will be 2 cents and the exercise price for the options will also be 2 cents.

The Company's major shareholder Notion Vtec Berhad, and existing debt providers (other than Bergen) have indicated in principle that they are supportive of the capital raising and are prepared to securitise their existing debt via sub-underwriting ("Cornerstone Sub-underwriters"). Patersons Securities Limited have been retained as Lead Manager to the Right Issue and have been tasked with coordinating the Cornerstone Sub-underwriters together with the other parties to enable the Rights Issue to be at least partially underwritten.

In order to reward patient shareholders, the Company intends to conduct a loyalty bonus issue of options (the same class as the Right Issue options) on the basis of 1 new option for every 5 shares held following completion of the Rights Issue. Further details of the Loyalty Bonus Issue of Options will be released in June 2014.

Aspects of the restructure, including the consolidation of capital, will require shareholder approval at a general meeting. The Company is liaising with its various stakeholders and the ASX with a view to dispatching the notice of meeting and accompanying explanatory memorandum to shareholders later next week.

## Operations

As a result of the termination of the Platinum arrangements, and a review of the effects of this event on the company's operation in Texas Queensland, the board has decided that the most prudent action while recapitalising the company would be to suspend all mining and crushing activities in order to reduce costs until the capital raising is complete. The Board of Directors will also be streamlined during this transitional period and as such wishes to announce the resignations Mr Alvin Vong and Mr Nelson Yong.

During this period silver will continue to be extracted from the existing heap leach inventories to provide ongoing revenues. While the primary crushing upgrade reached the desired nameplate capacity, the delay in funding and the related deferment of the final stage of the tertiary upgrades has prevented the true potential of the operation to be realised.

Once completed, the funds from the rights issue will allow production to recommence at 1.1 million tonnes per annum, producing 1.2 million ounces of silver per annum.

## Indicative Capital Structure

The indicative capital structure of the Company following the consolidation and Rights Issue could evolve as follows:

Description	Shares	Listed Options (AYNO)	Listed Options (AYNOA)	New Listed Options	Gross Amount Raised
Existing Shares	6,909,965,247	60,839,105	1,493,721,521	–	–
Consolidation 20 for 1	345,498,262	3,041,956	74,686,076	–	–
2:1 Rights Shares @ 2c	690,996,525	–	–	69,099,652	\$13.82m
Loyalty Bonus Options 1 for 5				207,298,957	
<b>Total</b>	<b>1,036,494,787</b>	<b>3,041,956</b>	<b>74,686,076</b>	<b>276,398,609</b>	<b>\$13.82m</b>

## Indicative Timetable

The company is preparing a notice of meeting for dispatch to shareholders later next week. It is anticipated that the timetable will roll out as follows:

Event	2014
• Notice of Meeting dispatched to Shareholders	Mid March
• Meeting Held	Mid April
• Lodge Prospectus with ASIC and ASX	Mid April
• Record Date	Early May
• Closing Date	Mid May
• Bonus Issue of Options	June

This announcement is intended to lift the trading halt called by the company on 4 March 2014.

**ENDS**

**For further information:**

**Michael Reed – Managing Director**  
**Alcyone Resources**  
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**For media enquiries:**

**David Tasker**  
**Professional Public Relations**  
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Rule 2.7, 3.10.3, 3.10.4, 3.10.5

## 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 (**Company**)

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   | Fully Paid Ordinary Shares ( <b>Shares</b> )                               |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued  | 765,706,061 Shares   |
| 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) | The Shares will rank parri passu with existing fully paid ordinary shares. |

+ 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"> <li>• the date from which they do</li> <li>• the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment</li> <li>• the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment</li> </ul>	<p>Shares rank equally in all respects from the date of issue with the existing class of fully paid ordinary shares.</p>
<p>5 Issue price or consideration</p>	<p>614,621,704 Shares issued at \$0.001 per Share  38,000,000 Shares issued in satisfaction of royalty payments  113,084,357 Shares issued to cure defaults under various credit agreements</p>
<p>6 Purpose of the issue  (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>614,621,704 Shares issued to Bergen Global Opportunity Fund II LLC with funds being used to satisfy outstanding debt incurred for the purpose of progressing operations at the Company's Texas Silver Mine.</p> <p>113,084,357 Shares issued to Bergen Global Opportunity Fund II LLC to cure defaults under various agreements.</p> <p>38,000,000 Shares issued in satisfaction of royalty payments to YA Global Investments L.P</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 in relation to the +securities the subject of this Appendix 3B, 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>28 November 2013</p>

+ See chapter 19 for defined terms.

6c	Number of +securities issued without security holder approval under rule 7.1	151,084,357 Shares
6d	Number of +securities issued with security holder approval under rule 7.1A	614,621,704 Shares
6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	Nil
6f	Number of securities issued under an exception in rule 7.2	Nil
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.	Issue Date – 4 March 2014 15 day VWAP - \$0.001217 75% of 15 day VWAP - \$0.000913 Source of data – IRESS
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 – Nil 7.1A – Nil
7	Dates of entering +securities into uncertificated holdings or despatch of certificates	4 March 2014

+ See chapter 19 for defined terms.

**Appendix 3B**  
**New issue announcement**

	Number	+Class
8	Number and +class of all +securities quoted on ASX (including the securities in section 2 if applicable)	Fully paid ordinary shares.
	7,675,671,308	
	60,839,105	Options exercisable at \$0.06 each expiring 14 May 2015 (AYNO).
	1,493,721,521	Options exercisable at \$0.01 each expiring 31 July 2015 (AYNOA).
	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
	177,252,724	Performance share rights expiring 15.07.2014
	88,287,496	Performance share rights expiring 27.11.2014
	26,000,000	Options \$0.0496 each, expiring 26.02.2016
	88,000,000	Options \$0.0064 each, expiring 14.08.2018
	1	Convertible security with a face value of A\$1,062,500.
	1,800,000	Convertible securities each with a face value of A\$1.
	1,790,000	Convertible Securities with a face value of \$1.
	1	Debt security with a face value of \$1,050,000.

+ See chapter 19 for defined terms.

10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	Not Applicable
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## Part 2 - Bonus issue or pro rata issue

11	Is security holder approval required?	N/A
12	Is the issue renounceable or non-renounceable?	N/A
13	Ratio in which the <sup>+</sup> securities will be offered	N/A
14	<sup>+</sup> Class of <sup>+</sup> securities to which the offer relates	N/A
15	<sup>+</sup> Record date to determine entitlements	N/A
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	N/A
17	Policy for deciding entitlements in relation to fractions	N/A
18	Names of countries in which the entity has <sup>+</sup> 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>	N/A
19	Closing date for receipt of acceptances or renunciations	N/A

+ See chapter 19 for defined terms.



**Appendix 3B**  
**New issue announcement**

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20	Names of any underwriters	N/A
21	Amount of any underwriting fee or commission	N/A
22	Names of any brokers to the issue	N/A
23	Fee or commission payable to the broker to the issue	N/A
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of <sup>+</sup> security holders	N/A
25	If the issue is contingent on <sup>+</sup> security holders' approval, the date of the meeting	N/A
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	N/A
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	N/A
28	Date rights trading will begin (if applicable)	N/A
29	Date rights trading will end (if applicable)	N/A
30	How do <sup>+</sup> security holders sell their entitlements <i>in full</i> through a broker?	N/A
31	How do <sup>+</sup> security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	N/A

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<sup>+</sup> See chapter 19 for defined terms.

32	How do <sup>+</sup> security holders dispose of their entitlements (except by sale through a broker)?	N/A
33	<sup>+</sup> Despatch date	N/A

### 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 <sup>+</sup>securities are <sup>+</sup>equity securities, the names of the 20 largest holders of the additional <sup>+</sup>securities, and the number and percentage of additional <sup>+</sup>securities held by those holders

36 ☐ If the <sup>+</sup>securities are <sup>+</sup>equity securities, a distribution schedule of the additional <sup>+</sup>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 <sup>+</sup>securities

<sup>+</sup> See chapter 19 for defined terms.

Entities that have ticked box 34(b)

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

+ 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: ..... 5 March 2014 .....  
(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	
<b>Step 1: Calculate “A”, the base figure from which the placement capacity is calculated</b>	
<b>Insert</b> number of fully paid ordinary securities on issue 12 months before date of issue or agreement to issue	1,494,254,126
<b>Add</b> the following: <ul style="list-style-type: none"> <li>Number of fully paid ordinary securities issued in that 12 month period under an exception in rule 7.2</li> <li>Number of fully paid ordinary securities issued in that 12 month period with shareholder approval</li> <li>Number of partly paid ordinary securities that became fully paid in that 12 month period</li> </ul> <b>Note:</b> <ul style="list-style-type: none"> <li>Include only ordinary securities here – other classes of equity securities cannot be added</li> <li>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</li> <li>It may be useful to set out issues of securities on different dates as separate line items</li> </ul>	3,827,492,536  824,470,385
<b>Subtract</b> the number of fully paid ordinary securities cancelled during that 12 month period	-
<b>“A”</b>	6,146,217,047

+ See chapter 19 for defined terms.

<b>Step 2: Calculate 15% of "A"</b>	
<b>"B"</b>	0.15
<b>Multiply "A" by 0.15</b>	921,932,557
<b>Step 3: Calculate "C", the amount of placement capacity under rule 7.1 that has already been used</b>	
<p><b>Insert</b> 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"> <li>Under an exception in rule 7.2</li> <li>Under rule 7.1A</li> <li>With security holder approval under rule 7.1 or rule 7.4</li> </ul> <p><b>Note:</b></p> <ul style="list-style-type: none"> <li><i>This applies to equity securities, unless specifically excluded – not just ordinary securities</i></li> <li><i>Include here (if applicable ) the securities the subject of the Appendix 3B to which this form is annexed</i></li> <li><i>It may be useful to set out issues of securities on different dates as separate line items</i></li> </ul>	<p>12,000,000 Shares and 6,000,000 AYN OA Options on 10/10/13.</p> <p>29,548,200 Shares on 5/11/13.</p> <p>2,200,000 Shares and 1,100,000 AYN OA Options on 15/11/2013.</p> <p>600,000,000 Shares on 24 December 2013.</p> <p>20,000,000 Shares on 17 January 2014.</p> <p>100,068,000 Shares on 4 February 2014.</p> <p>151,084,357 Shares on 4 March 2014.</p>
<b>"C"</b>	921,932,557
<b>Step 4: Subtract "C" from ["A" x "B"] to calculate remaining placement capacity under rule 7.1</b>	
<b>"A" x 0.15</b>	921,932,557
<b>Subtract "C"</b>	921,932,557
<b>Total ["A" x 0.15] – "C"</b>	0 <i>[Note: this is the remaining placement capacity under rule 7.1]</i>

+ See chapter 19 for defined terms.

## Part 2

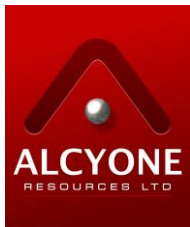
Rule 7.1A – Additional placement capacity for eligible entities	
<b>Step 1: Calculate “A”, the base figure from which the placement capacity is calculated</b>	
<b>“A”</b> <i>Note: number must be same as shown in Step 1 of Part 1</i>	6,146,217,047
<b>Step 2: Calculate 10% of “A”</b>	
<b>“D”</b>	0.10 <i>Note: this value cannot be changed</i>
<b>Multiply “A” by 0.10</b>	614,621,704
<b>Step 3: Calculate “E”, the amount of placement capacity under rule 7.1A that has already been used</b>	
<b>Insert</b> number of equity securities issued or agreed to be issued in that 12 month period under rule 7.1A  <b>Notes:</b> <ul style="list-style-type: none"> <li>• This applies to equity securities – not just ordinary securities</li> <li>• Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed</li> <li>• 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</li> <li>• It may be useful to set out issues of securities on different dates as separate line items</li> </ul>	614,621,704 Shares on 4 March 2014.
<b>“E”</b>	614,621,704

+ See chapter 19 for defined terms.

<b>Step 4: Subtract “E” from [“A” x “D”] to calculate remaining placement capacity under rule 7.1A</b>	
<b>“A” x 0.10</b> <i>Note: number must be same as shown in Step 2</i>	614,621,704
<b>Subtract “E”</b> <i>Note: number must be same as shown in Step 3</i>	614,621,704
<b>Total [“A” x 0.10] – “E”</b>	0 <i>Note: this is the remaining placement capacity under rule 7.1A</i>

+ See chapter 19 for defined terms.





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4 March 2014

Attention: Dave Filov

Dear Dave

Alcyone Resources Limited ( **AYN** or the **Company**) has today issued 765,706,061 fully paid ordinary shares (**Shares**) in settlement of a number of debt obligations (**Placement**). The appropriate Appendix 3B follows.

Of the Shares issued today, 614,621,704 Shares have been issued at \$0.001 per Share under the Company's placement capacity under ASX Listing Rule 7.1A.

In accordance with the requirements of ASX Listing Rule 3.10.5A, the following Information is provided in relation to dilution to existing securities holders affected by the Shares issued today:

- Number of Shares on issue prior to the Placement: 6,909,965,247.
- Shares issued under LR 7.1: 151,084,357.
- Shares issued under LR 7.1A: 614,621,704.
- Total Shares on issue after the Placement: 7,675,671,380.
- Percentage of voting dilution to existing shareholders as a result of the Shares issued under LR 7.1A: 8.17%
- Percentage of the post Placement issued capital held by pre-placement security holders who did not participate in the issue of Shares under ASX Listing Rule 7.1A: 91.83%
- Percentage of the post Placement issued capital held by pre-placement security holders who participated in the issue of Shares under ASX Listing Rule 7.1A: 8.17%
- Bergen Global Opportunity Fund II LLC, an existing security holder, was issued the Shares under ASX Listing Rule 7.1A. No new security holders participated in the Placement under ASX Listing Rule 7.1A.
- There were no underwriting arrangements related to the issue.
- There were no fees or charges related to the issue other than the normal ASX and security register issue fees.

The Company issued the shares under LR 7.1A as it was of the view it was the most efficient and expedient mechanism to settle the debts involved.

Yours sincerely

Trevor Harris  
Company Secretary