

# ALCYONE PUTS NEW SHINE ON AUSTRALIAN SILVER MINING



New management, investment and funding options have laid the groundwork for an exciting growth phase for Australian silver producer **Alcyone Resources Ltd (ASX: AYN)**.

With an equity raising under way, execution of a US\$10 million silver purchase agreement completed and a US\$10 million silver streaming deal in the final stages of agreement, Queensland-based pure play silver producer, Alcyone is putting in place the funds to support the company's turnaround strategy, according to non-executive chairman Paul D'Sylva.

Dr D'Sylva, who joined the board of Alcyone in March this year to complete an extensive operational review, said he had taken on the role of non-executive chairman with the sole intention of turning Alcyone around and creating a profitable company for shareholders.

"Our key Texas Silver Project is in production and has the potential to deliver very strong earnings and cash flows if we can get the process right," he said.

"Our project has produced 1.2Moz of silver from heap leach operations during the ramp up phase between June 2011 and 31 March 2013. The proposed improvements to the crushing circuit, construction of a new power line and the purchase of key mining equipment, will increase the production rate and lead to a steady state low cost of production equating to an estimated \$31 million in life-of-mine savings.

"Despite two one-in-100-year floods, plant constraints and unfortunate board and management issues, we still managed to produce 439,000oz of silver in the six months to December 31, 2012.

Dr D'Sylva said the investments would allow the company to realise substantial value from the future output of its flagship Texas Silver Project in south-east Queensland.

The silver streaming investment proposal provides for a metal stream of 15 per cent of the life-of-mine silver production from the Texas Project and the right to purchase this metal stream at a price per ounce equalling the lesser of US\$6.50, or 80 per cent of the prevailing market price, in return for an upfront payment of US\$10 million.

In addition, the proposal also provides for future investment in the company at a premium to market prices.

"This proposal is part of the company's strategy to create a simplified and robust financial structure to

support future production. We will now work with our financier to move to a final binding agreement on mutually acceptable terms," Dr D'Sylva said.

The recently announced equity raising is a non-renounceable entitlement issue of two shares for every one 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 \$16.25 million (based on the number of shares on issue as at the date of the prospectus) together with one free attaching option exercisable at \$0.01 on or before 31 July 2015 for every two shares subscribed for and issued. The minimum subscription to the offer is \$6 million and only requires about \$3000 support from each shareholder for the company to be well on its way to being successfully recapitalised.

Dr D'Sylva said the company's turnaround strategy would include operational improvements that would deliver a 30-35 per cent increase in capacity and would position the Texas project to achieve targeted annual silver production levels in excess of 1Moz as well as increase the mine life from eight to 10 years.

"The board believes that with its highly experienced management team and a successful capital raising that enables implementation of operational improvements, Alcyone will be able to deliver on its goal of restoring shareholder value with a strong financial position and full exposure to the silver commodity price," he said.

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