

ALCYONE TO RAISE \$5M TO UNDERPIN TRANSITION TO SILVER PRODUCTION AT TEXAS PROJECT

ENTITLEMENT OFFER TO FUND FURTHER EXPLORATION, ACQUISITION OF LONG-LEAD ITEMS AND PRE-DEVELOPMENT ACTIVITIES

HIGHLIGHTS

- 1-for-5 fully underwritten non-renounceable pro-rata entitlement offer to raise \$5M at an offer price of 3.5 cents per share.
- Proceeds to be used to place orders for key long-lead items required for full-scale commercial production and to fund other pre-development activities at the Twin Hills Project.
- Economic review completed indicating base case ore processing of 1Mtpa at a forecast average head grade of ~80g/t Ag, resulting in annual silver production of 1.5 – 2.0Moz.
- Forecast cash operating cost (pre-royalties and depreciation) of ~A\$13.50/oz, which would result in a robust cash operating margin of +A\$13/oz at the current silver price of A\$27/oz.
- Estimated planned capital cost of \$13M – *discussions well advanced with debt providers to complete remaining capital requirements.*
- Re-irrigation of existing heaps expected to commence shortly: ~400,000t of leachable material at an average estimated grade of 45g/t Ag

Alcyone Resources Limited (ASX: AYN; 'Alcyone' or 'the Company') is pleased to announce a 1-for-5 fully underwritten non-renounceable pro-rata entitlement offer to raise \$5.42 million before costs to fund further exploration, key pre-development activities and the acquisition of long-lead items for its **Twin Hills Silver Project**, part of its 100%-owned **Texas Silver and Polymetallic Project** in south-east Queensland.

The proceeds of the entitlement offer – which will be fully underwritten by Cygnet Capital with \$2 million sub-underwritten by the Company's Chairman, Mr Charles Morgan – will enable Alcyone to secure several critical path items required to ensure a seamless transition to commercial silver production at Twin Hills next year. Specifically, the proceeds will be used to:

- order key long-lead items required to upgrade the processing facility and support the resumption of commercial silver production, including a Quad Rolls Crusher, which has been confirmed as the preferred crushing option for a the upgraded processing facility;
- fast track parts of the expanded Merrill Crowe Circuit to assist with silver recovery from the previously announced program of trial re-irrigation of the existing silver-rich heaps, targetted to commence before the end of the 2010 calendar year, and expected to generate early cash flow from the Project next year;

- commencement of other pre-development and infrastructure activities required to resume commercial operations, including detailed design and preliminary civil works;
- complete the re-estimation and upgrade of the Mineral Resource for the Twin Hills and Mt Gunyan deposits following the successful drilling campaign undertaken during 2010. This is expected to be completed before the end of the 2010 calendar year;
- fund further drilling and geophysics exploration activities at priority regional exploration targets such as Hornet, where the Company has reported high-grade copper intersections and Silver Spur, which is emerging as an exciting base metals opportunity; and
- provide general working capital.

Entitlements Issue

The entitlement offer will be made on the basis of 1 new Alcyone ordinary share for every 5 existing Alcyone ordinary shares held at the record date. The entitlement offer price will be 3.5 cents.

The entitlement offer will be fully underwritten by Cygnet Capital and sub-underwritten to \$2 million by the Company's Chairman and existing shareholder, Mr Charles Morgan. Melbourne and Perth-based broking firm Cygnet Capital is Lead Manager.

A prospectus in relation to the Issue is currently being expedited. Key dates and a detailed timetable will be finalised as part of that prospectus and will be announced accordingly.

Economic Review Update

Alcyone has completed key aspects of its economic review as part of a wide-scale re-evaluation of the Twin Hills Mine initiated following the acquisition of the project from former owner, Macmin Silver, in November 2009.

This review indicates that the Project is well placed to generate strong operating margins based on a forecast annual ore processing rate of 1Mtpa, from the Twin Hills Resource. The economic model forecasts an average head grade of approximately 80g/t Ag based on the current JORC Mineral Resources, as detailed in Appendix 1, and assumes an average recovery of 69%. This is considered to be conservative based on the extensive metallurgical testwork undertaken by the Company.

At this production rate, the operation would generate **average annual silver production of between 1.5 and 2Moz** (with fluctuations from year to year typical of a heap leach project) and have forecast unit cash operating costs of **approximately A\$13.50/oz**.

At current silver prices of A\$27/oz, this would translate into a robust operating margin of approximately **A\$13/oz**, enabling the Project to generate strong cash flows.

The total plant capital estimate for re-commissioning the Twin Hills Project is approximately \$13 million, comprising around \$10 million for the process plant upgrade, ~\$2 million for inventory, spares, first fill and commissioning and ~\$1 million for remedial works.

The in house economic study, based on independent metallurgical, processing design and mining studies, is considered to have an order of accuracy in the range of +/- 20%. The detailed design work to be undertaken as part of the development and construction phase will further refine these cost estimates.

Alcyone is currently at an advanced stage of discussions with debt providers to determine the optimal structure for raising the balance of the funds required to commence full-scale commercial production.

The amount of final capital required is still to be determined, after taking into account the proceeds of the entitlement offer as well as the cash forecast to be generated by the trial re-irrigation program. Alcyone remains on track to achieve a seamless ramp-up towards commercial silver production during the first half of 2011.

Alcyone's Managing Director, Mr Andrew King, said the entitlement offer would provide all shareholders with the opportunity to participate in this milestone capital raising as the Company makes the transition to production.

"In order to achieve our timetable and be in a position to take advantage of current high silver prices, we needed to move quickly to secure some critical capital equipment items," Mr King said. "This raising will enable us to do that while maintaining our exploration and development momentum in other areas."

"I would like to take this opportunity to thank our Chairman, Charles Morgan, for his vote of confidence in our assets and management team," Mr King continued.

ENDS

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About Alcyone

Alcyone Resources Limited (ASX Ticker: AYN) is an Australian-based resource company focused on the reassessment and re-development of the Twin Hills Silver Mine, located south-west of Brisbane near the town of Texas in south-east Queensland.

Alcyone has commenced work on a program targeting the resumption of silver production at Twin Hills by the end of 2010. This includes metallurgical test work to confirm the parameters for a re-design of the processing system, as well as a complete review of all available geological data. Based on this review, the Company delivered a JORC-compliant resource statement on the 29th March 2010. This Resource statement can be viewed on the Company web site.

The Twin Hills mine remains fully developed and is in a position to immediately recommence operations following a decision to start commercial silver extraction.

In addition to the resumption of production at Twin Hills, Alcyone is also focused on assessing and capitalising on the significant exploration potential within its 275 sq km tenement package at Texas, including the potential for polymetallic and base metal mineralisation.

Competent Person Statements

The information in this report that relates to data used for and the resultant mineral resources for the Texas Silver project is based on information compiled by Mr Peter Ball who is a Member of the Australian Institute of Mining and Metallurgy and Director of DataGeo a mining and exploration consultancy.

Mr Ball has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a "Competent Person" as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves".

Mr Ball consents to the inclusion in this Report of the information compiled in the form and context in which they appear.

The information in this Report that relates to Exploration is based on information also compiled by Mr Ball.

Sections of information contained within this report that relate to Ore Reserves for Twin Hills at the Texas Silver project are based on information compiled by Stephen O'Grady who is a full-time employee of Intermine Engineering Consultants and is a Member of the Australasian Institute of Mining and Metallurgy. Stephen O'Grady has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves".

Stephen O'Grady consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

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.

APPENDIX 1: MINERAL RESOURCE ESTIMATION

Texas Silver Project, JORC Compliant Mineral Resources – March 2010

Deposit	Resource Category	Tonnes	Grade (g/t Ag)	Contained Silver (oz)
<i>Twin Hills</i>	Measured	1,762,000	86	4,868,000
	Indicated	1,466,000	79	3,722,000
	Inferred	614,000	81	1,602,000
	TOTAL:	3,842,000	83	10,192,000
<i>Mount Gunyan</i>	Indicated	1,756,000	76	4,267,000
	Inferred	350,000	58	650,000
	TOTAL:	2,106,000	73	4,917,000
TOTAL	ALL CATEGORIES	5,948,000	79	15,109,000

Note: *Specific comment regarding the method of calculation for the Resource and the role of external consultants was detailed in the March 2010 Quarterly Report (23 April 2010).*