

ALCYONE COMMENCES SITE WORKS FOR TRIAL RE-IRRIGATION OF TWIN HILLS SILVER HEAPS

RE-IRRIGATION EXPECTED TO YIELD FIRST TRIAL SILVER PRODUCTION IN EARLY 2011

HIGHLIGHTS

- Remedial works underway on storm water dam to facilitate trial re-irrigation of silver-rich heaps
- ~400,000t of leachable material available on the heaps with an average estimated grade of 45g/t Ag
- Metallurgical test work indicates that ~45% of the remaining silver can be extracted
- Re-irrigation expected to commence pre-Christmas, subject to weather and equipment availability, with initial trial silver production in early Q1 of 2011
- Quad Rolls Crusher (QRC) confirmed as cost-effective alternative to High Pressure Grinding Rolls (HPGR), enabling process flowsheet to be completed
- Economic review of Twin Hills Project nearing completion

Alcyone Resources Limited (ASX: AYN; 'Alcyone' or 'the Company') is pleased to advise it has commenced remedial work on key items of infrastructure at the **Twin Hills Project**, part of its 100%-owned **Texas Silver and Polymetallic Project** in south-east Queensland, to enable a program of trial re-irrigation of the existing silver-rich heaps targeted to commence before the end of the 2010 calendar year.

The trial re-irrigation program represents one of the final steps in the economic evaluation of the Twin Hills Mine to support Alcyone's plans to recommence silver production next year.

The leach pads at Twin Hills contain an estimated **400,000 tonnes** of material from the previous operation which has only been partially leached. Trial re-irrigation of this material will enable Alcyone to demonstrate the viability of the leaching process before moving to full-scale commercial silver production next year, while at the same time generating initial cash flow to support its other development activities including the acquisition of additional equipment required to ramp up production next year.

Preliminary test work on samples extracted from limited auger drilling conducted on the heaps indicates that the average grade ranges between 30g/t Ag to 100g/t Ag. The Company considers that **an average grade of 45g/t Ag** could be achievable. Testing of composite auger samples taken from the material already stockpiled on the leach pads has demonstrated that **approximately 45% of the remaining silver** is still available to be leached.

Remedial works have started on the Storm Water Dam which, once completed will enable the trial re-irrigation program to commence. Subject to weather conditions and delivery of key equipment and consumables, re-irrigation is expected to occur before Christmas, with first trial silver production targeted for the first Quarter of 2011.

The Company plans to utilise the pilot scale Merrill Crowe circuit which is already located on site for the trial re-irrigation program as part of an interim silver recovery circuit. Additional equipment will be acquired to expand the Merrill Crowe circuit to support full commercial silver bullion production planned for next year.

Recent metallurgical test work has confirmed that a Quad Rolls Crusher (QRC) will deliver similar metallurgical results to High Pressure Grinding Rolls (HPGR), enabling the Company to complete the process flowsheet for the Twin Hills Project, finalise operating cost parameters and confirm pit optimisations.

The Company expects to place an order for a Quad Rolls Crusher in the near future. The QRC is an overall lower cost item than an HPGR unit and will result in significant capital savings and economic benefits for the Twin Hills Project.

Alcyone is currently finalising its economic review as part of a wide-scale re-evaluation of the Twin Hills Mine initiated following the recapitalisation of the former, Macmin Silver, in November 2009.

Alcyone Managing Director, Mr Andrew King, said all aspects of the economic review were progressing well with final data expected to be available in the near future, paving the way for recommencement of commercial silver production at Twin Hills next year.

"The trial re-irrigation program will enable us to verify some of the conclusions of the metallurgical testwork program including percolation rates and the suitability of the Merrill Crowe circuit, which currently produces a silver powder but will enable us to potentially produce silver bullion on site in the future," Mr King said.

"Importantly, it also has the potential to generate valuable early cash flow to support the acquisition of equipment and other pre-development activities," he added.

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 of 5.9Mt @ 79g/t Ag for 15.1Moz of contained silver in March 2010.

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.

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.