



ALCYONE SET FOR FULL SILVER MINE COMMISSIONING BY END SEPTEMBER

PRODUCTION SET TO INCREASE TO ANNUALISED RATE OF 1.5-2Moz BY YEAR-END

KEY POINTS

- Wet commissioning of upgraded Twin Hills process facility on track for end September
 - Crushing circuit and plant already nearing nameplate capacity of 150tph (~1Mtpa)
 - Crushing plant product sizing 100% less than 4.0 mm, as per design
 - New Merrill Crowe silver extraction circuit commissioned and already operating at capacity
 - Over 210,000oz of silver produced to date from existing heap leach pads – exceeds 80% of targeted production from existing heap leach pads
 - Average silver sale price achieved to date is A\$36.85/oz
 - Mining scheduled to commence in late September to drive production ramp up to annualised rate of 1.5-2.0Moz per annum by year end
 - Exploration and grade control drilling underway with RAB and RC rigs operating at key silver and base metal targets
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Alcyone Resources Limited (ASX: AYN; 'Alcyone' or 'the Company') is pleased to advise that it is on track to ramp-up silver production at its 100%-owned Texas Silver & Polymetallic Project in south-east Queensland to a targeted annualised rate of 1.5 – 2.0 million ounces per annum following excellent progress in the first four weeks of wet commissioning of the upgraded Twin Hills processing facility.

Wet commissioning of the upgraded crushing circuit and heap leach processing facility commenced on the 12th of August and the plant, at current throughput of 140tph, is already operating at close to its nameplate capacity of 150 tonnes per hour (tph), which equates to an annualised throughput rate of 1 million tonnes per annum (Mtpa). The crushing facility is performing well with 100 per cent of material passing 4mm – one of the key parameters to achieving design leach rates.

The commercial-scale Merrill Crowe circuit, which is used to extract the silver from solution, replaced the pilot scale plant on the 24th of August. The circuit is currently running at nameplate capacity of 200 cubic metres per hour, resulting in a significant boost to bullion production. The automation package, which is expected to be activated within the next 10 days, is expected to further enhance overall process productivity. The overall silver recovery circuit is currently achieving recoveries from solution of more than 96 per cent, compared with the targeted level, based on previous testwork, of 95 per cent.

As previously advised, installation of the new bullion circuit was completed in July, with the circuit commissioned and producing silver bullion on site (see Figure 1 next page). The bullion circuit has a production capacity of 2 million ounces per annum.

Initial silver production has been based on re-irrigating the existing silver-rich heaps, which have been estimated to contain approximately 250,000oz of recoverable silver.

The heaps continue to leach the silver at a steady rate and – with over 210,000oz of bullion already produced since trial processing commenced in April 2011 – the Company is well on the way to achieving its original 250,000oz production target from this source. The second 100,000 oz of silver production was achieved in just five weeks and reflects both the improved heap dynamics and the commissioning of the new Merrill Crowe circuit.

This early production has enabled the Company to take advantage of strong silver prices and generate significant early cash flow.

The Company has over 200,000 tonnes of medium to low grade ore on the Run-of-Mine stockpile that is being used for the initial wet commissioning of the plant, with a further 180,000 tonnes of higher grade ore already exposed within the open cut ready for extraction.

The quad rolls crusher (Figure 2) has been bedded in over the last four weeks and is now ramping up to peak throughput rates of over 140tph with an overall average of 80 per cent of the 150tph design rate achieved to date.

The crusher is currently attaining a steady state of 140tph and delivering a product size of 100% passing 3.8mm which marginally exceeds the design criteria of 100 per cent passing 4mm.

Laboratory testing of the product being stockpiled has indicated that the leaching rates should achieve the forecast leaching rates as defined in the original test work. Irrigation of the newly stockpiled material has commenced this week and it is expected that it will take a few weeks before any percolation results are achieved

Because of the excellent progress to date with the plant commissioning, Alcyone has decided to bring forward the commencement of mining in the Twin Hills open pit to late September. This will provide a regular ore feed to the plant and enable the Company to ramp up production to the targeted annualised rate of 1.5-2.0 million ounces per annum by year-end.

Based on the positive results delivered so far, the company has refocussed its efforts on exploration across its highly prospective 257 sq km tenement package at Texas, with two drill rigs already operational on site.

The Company-owned RAB rig is currently drilling the prospective Hornet/Falcon/Tornado silver and base metal corridor (Figure 3), while the contract RC rig is undertaking the first phase of grade control drilling. It is anticipated that the RC drilling will assist in delineating the first 12 months of grade controlled ore before it moves over to Hawker to test Cu/Ag anomalism around old workings. It will then head to Silver Spur to target further mineralisation extensions along strike and down dip.

Alcyone Resources' Managing Director, Andrew King, said he was delighted with the progress that has already been made with the commissioning work, which lays the foundations for the transition to commercial silver production at the Texas Project.

"The plant is performing beyond our expectations for this stage of commissioning and, when coupled with the production of over 210,000 ounces of silver to date, represents another key milestone towards achieving full-scale commercial silver production at the Texas Project," Mr King said.



Figure 1: Bullion poured on site



Figure 2: Quad Rolls Crusher

"There couldn't be a better time to be starting a silver mine, with silver prices continuing to strengthen – providing us with an exceptional cash operating margin," he continued. "With our life-of-mine unit cash operating costs forecast at A\$15/oz, this equates to a cash operating margin at the current spot price of around \$26/oz – a very healthy proposition for a company entering a production ramp-up phase.

"We are looking forward to the next milestones, which include the start of mining and ramp-up to full commercial production at an annualised production rate of 1.5-2.0Moz per annum by the end of this year," Mr King added.

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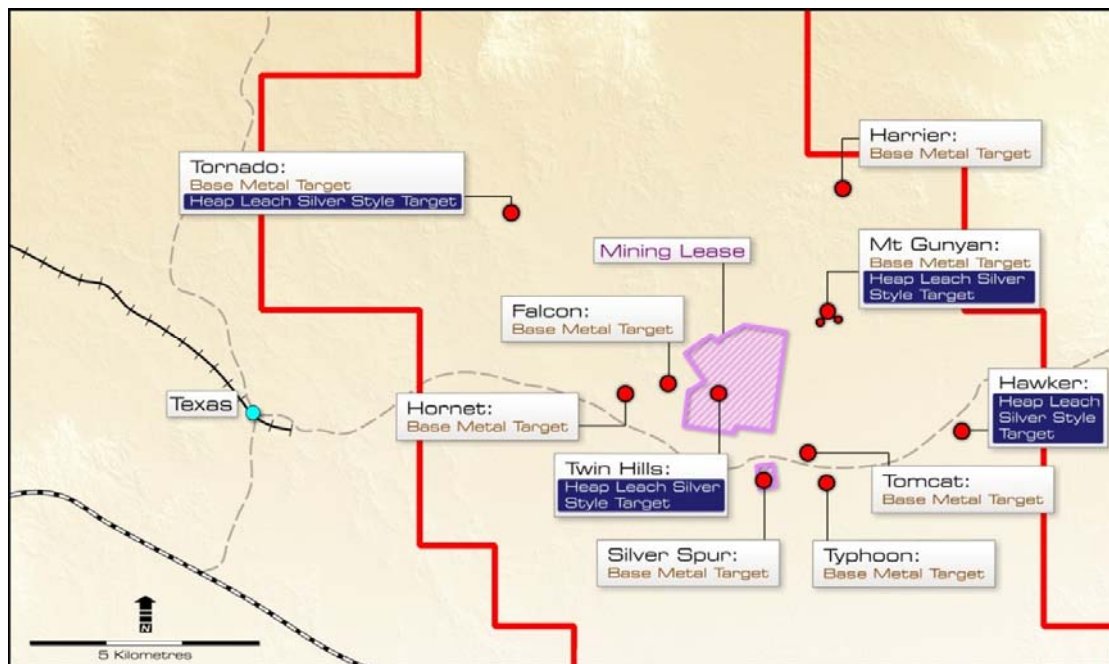


Figure 3: Texas Project Prospect Location

Mineral Resource

Deposit	Category	Tonnes	Silver	Gold	Contained Silver (oz)	Contained Gold (oz)
			(g/t Ag)	(g/t Au)		
<i>Twin Hills</i>	Measured	1,762,000	86	0.08	4,868,000	4,700
*includes Ore Reserve below	Indicated	1,466,000	79	0.12	3,722,000	5,400
	Inferred	614,000	81	0.08	1,602,000	1,600
	TOTAL:	3,842,000	83	0.09	10,192,000	11,700
<i>Mount Gunyan</i>	Measured:	242,000	69	0.16	537,000	1,300
	Indicated	1,777,000	69	0.08	3,925,000	4,400
	Inferred	329,000	69	0.05	728,000	500
	TOTAL:	2,347,000	69	0.08	5,189,000	6,200
PROJECT TOTAL*	All Categories	6,189,000	77	0.09	15,382,000	17,900

Reporting Cut-off 40g/t Ag

Ore Reserve

Deposit	Category	Tonnes	Silver	Gold
			(g/t Ag)	(g/t Au)
<i>Twin Hills</i>	Proved	1,570,000	86	0.08
	Probable	2,445,000	50	0.07
	TOTAL:	4,016,000	64	0.07

Cut-off 26.5g/t Ag

About Alcyone

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

Following a broad-based economic and technical review of the Twin Hills mine in late 2010, Alcyone commenced early silver production based on the re-irrigation of the existing silver-rich heaps at Twin Hills and delivered its first silver bullion in June 2011.

The leach pads at Twin Hills contain an estimated 400,000 tonnes of material from the previous operation which has only been partially leached. Re-irrigation of this material has enabled Alcyone to demonstrate the viability of the leaching process before moving to full-scale commercial silver production later this year, while at the same time generating initial cash flow.

The Company is on-track to complete commissioning of the upgraded facility by the end of September and to ramp up full-scale commercial silver extraction at the initial rate of 1.5-2.0 million ounces of silver per annum by the end of December 2011.

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 Australasian 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.

The information in this report that relates to data used for and the resultant Ore Reserve for the Texas Silver project is based on information compiled by Mr Bill Frazer who is a Member of the Australasian Institute of Mining and Metallurgy and Director of Mining One Pty Ltd a mining and geotechnical consultancy.

Mr Frazer is a mining engineer with over 30 years experience in underground and open pit environments and has sufficient experience which is relevant to this type of mineral deposit and mining methodology 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 Frazer consents to the inclusion in this Report of the information compiled in the form and context in which they appear.

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.