



TWIN HILLS SILVER PROJECT – DEVELOPMENT UPDATE

KEY POINTS

- Trial re-irrigation of existing silver-rich heaps expected to commence in March with Storm Water Dam remediation works now well underway
 - Minimal impact to overall development timetable from recent flood events in Queensland despite minor delays to re-irrigation programme due to the impact of the floods on contractors and suppliers
 - First revenue from trial silver production expected to be delivered in June Quarter 2011
 - Work already progressing on the construction programme with key long-lead items ordered and deposits paid – construction and commissioning on track for September Quarter of 2011
 - Put Options secured covering a total of ~770,000oz of silver production at a strike price of A\$27/oz, providing floor price protection for a portion of initial silver production while retaining exposure to the upside potential of a strong silver price
 - RAB drilling underway at the Typhoon geochemical zinc-copper anomaly with the rig expected to move subsequently to the exciting Hornet target
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Alcyone Resources Limited (ASX: AYN; 'Alcyone' or 'the Company') is pleased to provide an update on development and exploration activities at its 100%-owned Texas Silver and Polymetallic Project in south-east Queensland following its recent \$16.7 million capital raising. Following finalisation of this raising, Alcyone is fully funded to complete the re-development of the Twin Hills silver mine and commence commercial silver production.

While the Company has not been directly affected by the devastating recent floods in Queensland, a number of its suppliers and contractors were impacted. Alcyone has been working with these companies to ascertain what, if any, impact there will be to its overall development timetable and is now in a position to update the market.

Many of the Company's contractors and suppliers have spent recent weeks re-establishing their businesses, securing supplies and re-planning the logistics of mobilising to their working sites. Heavy haulage access to the Texas township and the mine site has been restricted intermittently as a result of damage to the main highways in the area. This impacted on delivery of certain supplies and equipment necessary to undertake ongoing works.

While the previously announced trial re-irrigation programme for the existing silver-rich heaps has been delayed by 3-4 weeks due to some delays in sourcing equipment and consumables ex-Brisbane, the overall development timetable has not been significantly affected by the recent flood events.

The Company remains on track to deliver initial revenue from trial silver production in the June Quarter 2011 and to commence full-scale construction during the same period, positioning it to ramp-up to full commercial silver production during the third Quarter of this year.

Alcyone has also taken advantage of the recent strength of the silver price to put in place some silver Put Options to provide floor price protection during the start-up phase of operations.

Twin Hills Development – Re-irrigation of Existing Heaps

Storm Water Dam Remediation Works

All supplies required for the remediation works on the Storm Water Dam (SWD) at Twin Hills were confirmed secure and subsequently moved to site last week. Although no inundation occurred at site, some recent rain has necessitated the pumping out of the SWD to enable final civil works to be completed. The contractor commenced laying the pond liner last week and it is anticipated that this will now take three to four weeks to complete.

Once completed, the dam can be certified and trial re-irrigation of the heaps can start.

Trial Re-irrigation

While the SWD remediation work has been underway, additional personnel are in the process of being employed. These personnel will supplement people already on site to enable operations to commence.

All the pipe work on the heaps has been re-commissioned, pumps checked for reliability and general pre-start checks commenced on all aspects of the operation that will be required for the heap re-irrigation. During the upcoming trials, the Company intends to utilise the pilot-scale Merrill Crowe circuit already on site to recover the silver to a powder form.

Although the facilities for smelting the powder to silver bars will not be commissioned, arrangements have already been made to have the powder refined at a contract refinery.

Subject to all work going to plan and certification of the SWD proceeding as proposed, Alcyone plans to commence re-irrigation of the existing heaps during March 2011. This should then result in first revenue from this initial trial silver production being delivered in second Quarter 2011.

Construction Works

Work is already progressing on the Twin Hills mine construction programme. All long-lead items have been ordered and deposits paid. Project Management work has been awarded to REGMPS, which is currently finalising quotations on the major components of the physical works, including civil, mechanical, electrical and instrumentation works.

With site works planned to commence in March, these works will be scheduled to coincide with delivery to site of the key components.

Subject to the on time delivery of the major components and minimal weather delays, the Company then intends to complete construction and commissioning at Twin Hills during the second Quarter of 2011, and ramp-up to full scale commercial silver extraction during the third Quarter at an initial annualised rate of 1.5-2.0Moz.

An economic review of the Twin Hills Project was completed last Quarter, which confirmed that the operation is well placed to generate strong operating margins based on a forecast annual processing rate of 1Mtpa from the Twin Hills resource. At this production rate, the operation would generate average annual silver production of 1.5-2.0Moz (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.

Silver Put Options

The current spot silver price is A\$30/oz, although there has been significant fluctuation in the price in recent weeks. To take advantage of this recent strengthening of the silver price, Alcyone has been able to purchase Put Options at a strike price of A\$27 per ounce covering approximately 770,000 ounces of silver production from the Twin Hills mine. The total cost of the Put Options was \$1.5 million.

The Put Options provide Alcyone with floor price protection at A\$27/ounce for initial production during the start-up and commissioning phase of the Twin Hills operation while retaining significant exposure to the upside potential of a strong silver price.

Exploration Update

Alcyone is pleased to advise that a programme of reconnaissance RAB drilling has already commenced at the first of the regional exploration targets generated as part of its 2010 exploration programme. Drill access to the Typhoon geochemical zinc-copper anomaly, an area which contains extensive outcrop, was secured after this area dried out earlier than expected. An initial 4-hole programme (200 metres) is currently in progress.

By the time the drilling at Typhoon is completed, Alcyone expects to have received full results from the Sub Audio Magnetics (SAM) survey, which was completed earlier this year covering an area approximately 1km wide by 7km long over the western tectonic corridor between the Hornet and Tornado prospects. This technique measures both the magnetic and electrical properties of the earth using an electrical current generated between a pair of grounded electrodes. The technique is used to highlight potential structures within the same host rock sequences.

The SAM survey data is currently being reviewed by Southern Geoscience, who are utilising various filtering techniques to fine tune the data and target what may be the controlling structures within the tectonic corridor between Hornet and Tornado. As stated in previous announcements, the base metal mineralisation on the Texas leases is considered to be structurally controlled. Therefore, if the SAM method is able to deliver the results anticipated, it will become a fast, low-cost exploration tool that could considerably improve drill targeting efficiency.

Once the Company receives the full results from Southern Geoscience, the RAB rig will undertake a programme of approximately 4,000m of reconnaissance drilling at Hornet at 100m spacings, commencing at Hornet itself and moving in a northerly direction along strike. The results from the RAB drilling will then be used to target the next phase of RC/Diamond Drilling, with the overall 2011 exploration and drilling programme currently being tendered.

Work is continuing on modelling the mineralisation at Silver Spur, where a recent desktop review has identified additional historical data which will be incorporated into the geological model. A scoping study is underway to finalise planning for the next round of drilling at Silver Spur.

Work is nearing completion on the upgrade to the JORC Mineral Resource for the Mt Gunyan and Twin Hills deposits, subject in the case of Twin Hills to receipt of final assays and interpretations on the mineralised zone in the East Wall.

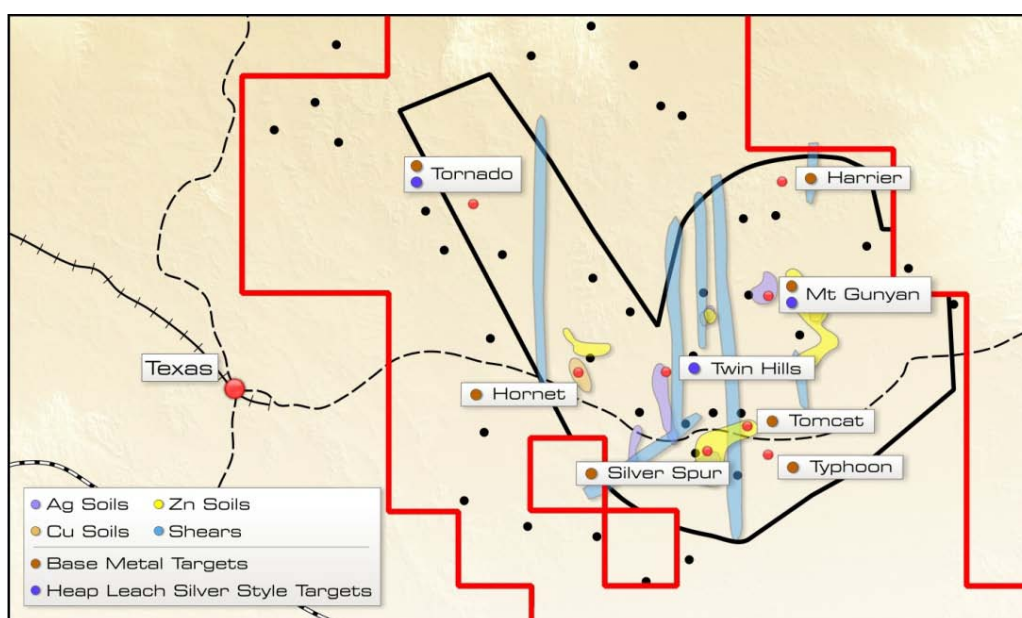


Figure 1: Exploration Prospect Location Plan

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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 programme 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 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 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.

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.