



March 2012 Quarterly Report



Alcyone Resources Ltd

Directors:

Charles Morgan – Non Exec Chairman

Andrew King – Managing Director

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Capital Structure:

1,324,399,821 shares

70,416,667 options

Top 10 Shareholders:

JP Morgan	17.89%
HSBC Custody Nominees (Aus) Ltd	3.20%
Lyandji Super Fund	2.70%
Seaspin Pty Ltd	2.22%
Citicorp Nominees Pty Limited	1.28%
J P Morgan Nominees	1.02%
ABN Ambro Clearing Sydney Nominees	0.80%
Golden Matrix Holdings Pty Ltd	0.73%
Zero Nominees Pty Ltd	0.72%
Mr R Harris	0.68%
Total for Top 10	31.25%

ASX Code: AYN

HIGHLIGHTS

Production continues to improve

- 178,000oz of silver bullion produced in the March Quarter - a ~60% improvement over the December Quarter, despite heavy rainfall in January and February.
- Stacking of Leach Pad 3 commenced towards the end of the reporting period following delays due to heavy rain.
- 340,000oz of recoverable silver stacked for the Quarter, resulting in a 60% increase in leaching inventory to ~400,000oz.
- Silver production rates in excess of 3,100oz per day achieved, with the operation on track to achieve commercial production rates during Q3 2012.

Resource Growth

- 69% increase in the Twin Hills Mineral Resource to 9.5Mt @ 53.8g/t Ag for 16.4Moz of contained silver, using a revised cut-off grade of 26.5g/t Ag and net of mining depletion to date.
- 90% of the Mineral Resource now in the Measured and Indicated categories compared with 83% previously.
- Work underway to re-assess the Twin Hills Ore Reserve and update the Mt Gunyan Mineral Resource estimate.

Exploration

- Extensive near-surface silver mineralisation intersected in follow-up RAB drilling at recently discovered Silver Spur North zone, 200m north of the historic Silver Spur mine:
 - 9m @ 72g/t Ag from 6m (SSRB008);
 - 3m @ 292g/t Ag from surface and 9m @ 57g/t Ag from 15m (SSRB012);
 - 3m @ 53g/t Ag from 30m (SSRB015);
 - 6m @ 69g/t Ag from 9m and 3m @ 67g/t Ag from 69m (SSRB020); and
 - 6m @ 58g/t Ag from 18m (SSRB024).
- Initial Exploration Target** of 0.25-0.5Mt grading 40-80g/t Ag established for Silver Spur North.
- Significant EM target identified immediately south of historic Silver Spur workings – estimated strike length of 120m and depth extent of approximately 200m, remaining open to the south.

OVERVIEW

The March 2012 Quarter was a challenging period for Alcyone, mainly due to the impact of heavy rainfall events in south-east Queensland. However, the Company was still able to continue the ramp up of silver production from its Twin Hills heap leach operation, part of its 100%-owned **Texas Silver & Polymetallic Project**.

Production

A total of 178,473 ounces of silver was produced for the March Quarter (December 2011 Quarter: 109,000oz) with 151,000 ounces sold at an average silver sales price of A\$32.14 per ounce (December 2011 Quarter: A\$31.78/oz).

Production was below budget due to the impact of the recent heavy rains, which caused delays to the completion of Leach Pad 3 (LP3). LP3 was expected to be in production in January and forecast to significantly increase production levels for the Quarter.

The Company has altered drainage patterns around the heaps to reduce the future impact of high rainfall, with further studies already underway to review measures to mitigate the impact of extreme wet season events on the heap leach operation.

Stockpiling of ore on LP3 commenced in late February, with first silver produced from LP3 in late March. During the latter stages of the Quarter, the operation achieved daily production rates in excess of 3,100oz.

Notwithstanding the weather delays, over 340,000oz of recoverable silver was stockpiled during the Quarter. This has resulted in a 60% increase in inventory, to just over 400,000oz by the end of March.

As stated in the Operations Update to the ASX on 22nd February, there was a slower-than-anticipated ramp-up in recovery rates, and the Company is continuing to undertake optimisation work on heap flow rates and reagent addition to maximise silver leaching kinetics from the heaps.

This work, together with the commissioning of LP3, should assist the Company in moving towards its goal of achieving consistent daily production in the order of 4,000oz of silver.

Heap leach operations typically take 3-5 months to ramp up to full commercial production. Notwithstanding the short-term mechanical issues with the crushing circuit outlined last Quarter and the impact of the heavy rainfall events during the March Quarter, the overall operation is performing within expectations and Alcyone is confident of achieving commercial production rates during Q3 of 2012 and steady state operations by Q4.

Resource Upgrade

During the Quarter, Alcyone reported a substantial increase in the Mineral Resource estimate for the Twin Hills deposit, which is the current source of ore feed for the Twin Hills operation.

The updated Mineral Resource, using a revised cut-off grade of 26.5g/t Ag and reported against end of February 2012 mined surface, comprises 9.5 million tonnes grading 53.8g/t Ag for 16.4 million ounces of contained silver. This represents a 69% increase in contained silver over the previous Mineral Resource estimate (3.684Mt grading 82g/t Ag for 9.7 million ounces) reported to the same surface.

The ore reserves and mine plan will now be reviewed with a likely increase in both ore reserves and mine life based on a forecast production rate of 1.2-1.5Moz per annum.

Exploration

On the exploration front, the Silver Spur area, which lies 2km south-east of Twin Hills, is emerging as an exciting new target. RAB drilling conducted 200m north of the historic Silver Spur mine has confirmed extensive silver mineralisation within what is interpreted as a series of sub-parallel zones running in a north-south direction.

Based on the success of this drilling, Alcyone has established an initial Exploration Target** for this prospect of 0.25-0.5Mt grading 40-80g/t Ag, using a 10g/t Ag boundary for the mineralisation envelope.

In addition, an electromagnetic (EM) survey over an area to the south of the main Silver Spur target has identified a low order conductivity target, with an estimated strike length of 120m and depth extent of approximately 200m.

Alcyone will continue to refine the modelling and develop a drilling programme due to commence in the June Quarter.

1.0 OPERATIONS

1.1 *Twin Hills*

Alcyone made continued strong progress towards achieving steady-state mining operations at Twin Hills during the March 2012 Quarter, despite the impact of heavy rainfall during February.

1.1.1 *Silver Production*

Alcyone achieved total production of 178,473 ounces of silver for the March Quarter, at an average received sales price of A\$32.14 /oz.

While the operation has recently achieved production rates in excess of 3,100oz of silver per day, there has been a slower than anticipated ramp-up in recovery rates. During this ramp-up period, the Company has continued to undertake optimisation work on heap flow rates and reagent addition to maximise silver leaching kinetics from the heaps.

This work has already delivered improvements in early delivery of silver from initial irrigation of the heaps and together with the commissioning of Leach Pad 3, should assist the Company in moving towards its goal of achieving consistent daily production of 4,000oz of silver.

1.1.2 Processing

Stacking of high-grade ore onto Leach Pad 2 was completed during the Quarter, with stacking of Leach Pad 3 underway by late February. In total, approximately 340,000 recoverable ounces of silver were stockpiled, which, after allowances for production, delivered an increase in inventory of 60% to ~400,000oz at the end of the reporting period. This sets a solid base for production over the coming quarters.

The heavy rains experienced in south-east Queensland during January and February delayed the completion of Leach Pad 3 by approximately two months, resulting in a significant reduction in production capacity for the Quarter. Production from LP3 eventually commenced in late March.

Alcyone has altered drainage patterns around the heaps to reduce the future impact of high rainfall. Additional studies are underway to review measures that will mitigate the impact of extreme wet season events on the heap leach operation.

Single-shift crusher production rates continued to exceed design parameters, with investigations being undertaken during the Quarter with a view to improving utilisation and availability. These reviews have indicated that changes to crusher consumable profiles and modifications to coupling arrangements on the Quad Rolls should see a significant improvement in overall reliability of the crusher circuit and hence total throughput. These changes will be implemented during the June Quarter.

A series of 'on heap' leaching trials were undertaken during the Quarter. These included trialling various sprinkler configurations, reagent addition regimes and irrigation sequencing. These tests have resulted in the development of a system of irrigation for new pads that has the potential to reduce the timing of first silver extraction by approximately 50%.

This system has been implemented on the cells within the new LP3. As usual though with Heap Leach trials, due to the

delayed nature of the extraction process, the results of these changes will not be able to be assessed for at least three months or longer. However it is anticipated that some effects will be seen during the June Quarter.

Alcyone will continue to undertake further trials to enhance plant reliability, reduce costs and improve leach kinetics. The Company considers that it is still on track to achieve commercial production rates during the 3rd Quarter 2012 and steady state operations by Q4.

1.1.3 Mt Gunyan

Work is progressing on the preliminary Feasibility Study for development of the Mt Gunyan deposit, located 4km east of Twin Hills. Samples from the existing core have been dispatched for metallurgical testwork on the extraction of silver mineralisation.

This testing will take several months before results will be known and there may be a requirement for additional large diameter drill samples to be collected.

While the metallurgical testing is underway, work is being undertaken on re-modelling the Mt Gunyan ore body to reflect current economic parameters. This is a similar exercise to that just completed for the Twin Hills deposit (see below).

As stated previously, once the metallurgical parameters are more accurately defined, the next phase of mine planning and permitting will commence.

2.0 TWIN HILLS RESOURCE UPDATE

During the Quarter Alcyone reported a substantial increase in the Mineral Resource estimate for the Twin Hills deposit, which is the current source of ore feed for the Company's heap leach silver mining operation.

The updated Mineral Resource, using a revised cut-off grade of 26.5g/t Ag and reported against end of February 2012 mined surface, comprises 9.5 million tonnes grading 53.8g/t Ag for 16.4 million ounces of contained silver. This represents a 69% increase in contained silver over the previous Mineral Resource estimate (3.684Mt grading 82g/t Ag for 9.7 million ounces) reported to the same surface.

The ore reserve and mine plan will now be reviewed with a likely increase in both ore reserve and mine life based on a forecast production rate of 1.2-1.5Moz per annum.

The revised Mineral Resource, using a cut-off grade of 26.5g/t Ag and reduced for material mined to end of February 2012, is summarised below with parameters detailed in Appendix 1:

Classification	Tonnes	Grade (g/t Ag)	Contained Silver (Moz)
Measured	2,278,000	81.3	5.960
Indicated	6,267,000	43.9	8.865
Inferred	931,000	52.6	1.575
TOTAL	9,476,000	53.8	16.400

The updated Mineral Resource includes the results of a previously reported 2010/11 drilling campaign which targeted the eastern side of the then proposed Twin Hills open pit. The drilling was primarily undertaken to provide large diameter core for geotechnical evaluation. Significant intercepts from this drilling included:

- 4.0m @ 63g/t Ag from 115m (ACTH001)
- 2.8m @ 106g/t Ag from 18.2m (ACTH002*)
- 7m @ 58g/t Ag from 107m (ACTH002*)
- 2m @ 279g/t Ag from 117m (ACTH002)
- 7.6m @ 64g/t Ag from 133.4m (ACTH002)
- 5.2m @ 54g/t Ag from 101m (ACTH003)

*these results from Hole ACTH002 are from an additional sample programme based on intercept location in holes ACTH001 and ACTH003. All intercepts reported are based on a 40g/t Ag intercepts boundary with at most 1 sample interval <40g/t Ag included.

Based on the success of this drilling, and the subsequent Mineral Resource modelling, Alcyone will now investigate southern and down-dip extensions to the mineralised zone.

In addition, the revised Twin Hills Mineral Resource estimate is reported at a lower cut-off to reflect Alcyone’s increased confidence in the mineral resource following the commencement of mining, as well as the continued strength in the silver price.

In technical terms, the original Twin Hills mineral resource was estimated with an internal constraint of 40g/t Ag as this provided a boundary consistent with the lithologies which host the higher grade mineralisation. No additional constraints were applied to the margin of the mineralisation. The subsequent Ore Reserve was calculated at a cut-off grade of approximately 26.5g/t Ag, but with only minor amounts of lower grade material being included.

The positive reconciliation of the Twin Hills mineral resource model mined to date, together with strong silver prices, has supported the use of a constraining envelope based on a nominal 20g/t Ag cut-off for the estimate.

Alcyone will now recalculate the Twin Hills Ore Reserve, which has the potential to lead to an increased projected mine life for the Twin Hills mining operation.

Alcyone will also use a similar approach to revise the Mineral Resource estimate for the Mt Gunyan deposit (currently 2.35Mt @ 69g/t Ag for 5.19Moz – see Appendix 1, Table 3), which is located 4km north-east of the Twin Hills Mine. This review of the Mt Gunyan mineral resource is not expected to lead to a similar quantum of increase in contained silver ounces to Twin Hills due to different geological conditions in this deposit.

Results from the Twin Hills Ore Reserve re-optimisation and the Mt Gunyan Mineral Resource estimation and any subsequent re-optimisation will be reported once available.

3.0 EXPLORATION

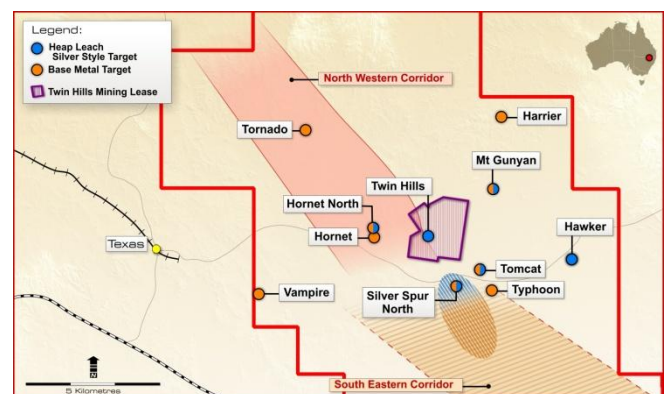


Figure 1: Texas Project Location Plan

Exploration during the Quarter focused on the emerging Silver Spur and Hornet areas where significant results have been obtained.

Silver Spur is located 2km south-east of Twin Hills, where new drilling results have further extended a recently discovered zone of near-surface silver mineralisation to the north of the historic mine and geophysics has identified several new exploration targets.

Hornet is 2km west of Twin Hills and has demonstrated the potential of the tenement holding for new base metal discoveries.

The encouraging results continue to demonstrate the substantial exploration upside within the Texas Project for additional sources of potentially heap leachable silver mineralisation outside of the known resource inventory at Twin Hills and Mt Gunyan.

3.1 Silver Spur North

Alcyone has now completed an initial program of RAB drilling to test the recently discovered zone of near-surface silver mineralisation located approximately 200m to the north of

the Silver Spur deposit, which was mined in the early 1900's and delivered approximately 100,000t at 800g/t Ag, 25% Zn and 13% Pb.

Results for the first seven holes for 396m (drilled in December 2011) were reported in January 2012 based on the 3m down hole composites. During the Quarter the exceptional results were confirmed by 1m re-sampling as:

- 2m @ 75g/t Ag from 26m (SSRB001);
- 3m @ 54g/t Ag from 55m (SSRB002); and
- 12m @ 185g/t Ag from 3m and 3m @ 55g/t Ag from 18m (SSRB007).

An additional 17 holes were subsequently completed along strike from the original seven holes, bringing the total program to 24 holes for 1,434m. The locations of the holes are provided in Appendix 2, Table 1.

The follow-up drilling has confirmed extensive silver mineralisation within what is interpreted as a series of sub-parallel zones trending north-south (see Figure 2). Assay results have been received from 3m composite samples, plus the outstanding 1m re-samples for the balance of the initial seven holes.

Some of the more significant new results, based on 3m down hole composites, include:

- 9m @ 72g/t Ag from 6m (SSRB008);
- 3m @ 292g/t Ag from surface and 9m @ 57g/t Ag from 15m (SSRB012);
- 3m @ 53g/t Ag from 30m (SSRB015);
- 6m @ 69g/t Ag from 9m and 3m @ 67g/t Ag from 69m (SSRB020); and
- 6m @ 58g/t Ag from 18m (SSRB024).

A full list of the latest assay results and results from the 1m re-samples of the initial seven holes is provided in Appendix 2, Table 2.

The results of the RAB program have confirmed the continuity of the mineralised zones at Silver Spur North (Fig 2), enabling Alcyone to establish an initial Exploration Target** for this prospect of 0.25-0.5Mt grading 40-80g/t Ag, using a 10g/t Ag boundary for the mineralisation envelope.

The Company is planning to commence further RAB drilling along strike as well as RC/diamond drilling during the June 2012 Quarter to confirm the structural and lithological characteristics of the Silver Spur North prospect

**It should be noted that this Exploration Target is conceptual in nature and there has been insufficient exploration drilling to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource.

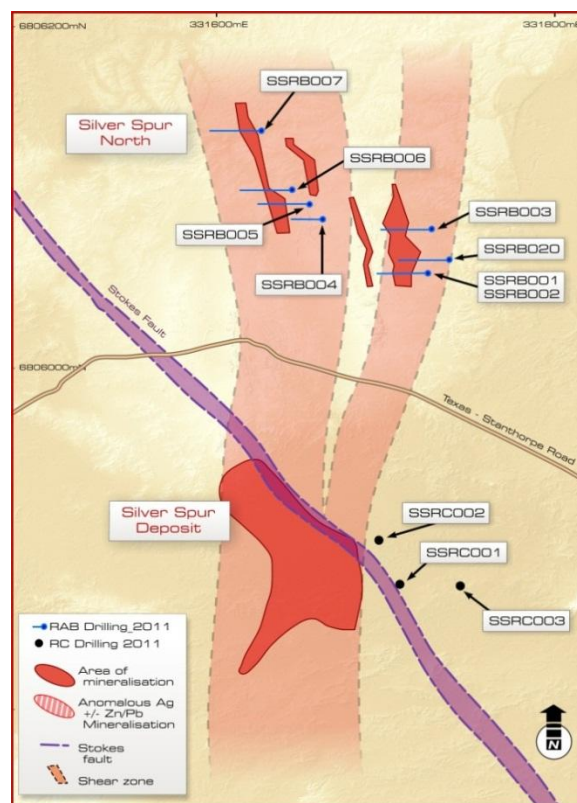


Figure 2: Silver Spur Plan View

3.2 Silver Spur South

Alcyone undertook a two stage surface electro-magnetic (EM) program during the December 2011 Quarter. Stage One comprised a fixed loop EM program, which was undertaken immediately south of the main Silver Spur workings.

Preliminary modelling conducted by Southern Geoscience Consultants identified a low order conductivity target approximately 10m below surface, with a north-south strike orientation dipping steeply to the east. The target, while still open to the south, has an estimated strike length of 120m and depth extent of approximately 200m. The electromagnetic response is consistent with a body having sphalerite as the dominant sulphide.

Alcyone will continue to refine the modelling to develop targets for a drilling programme due to commence in the June Quarter.

Stage Two of the EM programme involved a more regional approach starting adjacent to the known Silver Spur mineralisation and extending up to a distance of 2.4km south-east. Two complete lines and one partial line of EM surveying were ultimately completed, with persistent conductive anomalism observed in several locations – see Figure 3.

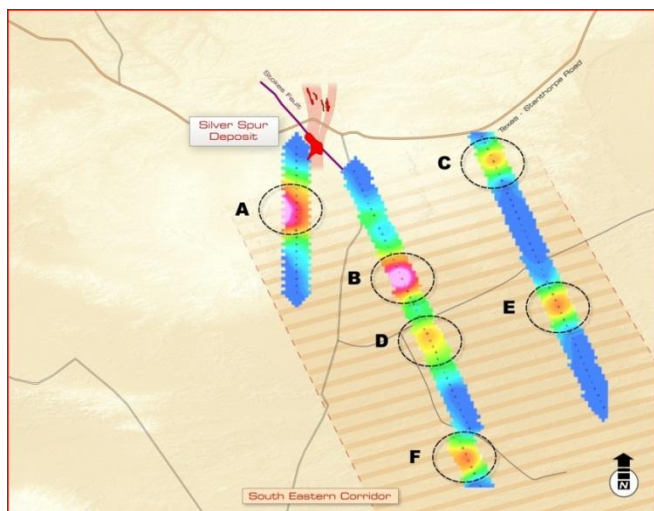


Figure 3 Silver Spur Regional EM

Targets A and B are potential base metal occurrences occurring near the projected positions of significant NW-SE trending structures, one of which controls the position of the Silver Spur Deposit. These may be analogous to the Silver Spur Deposit and will be drilled in the current field season, while further review of Targets C to F is required.

Alcyone is planning surface sampling and RAB drilling at the target locations during Q3 and Q4 2012.

3.3 North Western Corridor (NWC)

The North Western Corridor (NWC) is a 5km long geological structure which hosts the Hornet, Falcon and Tornado targets in the western area of Alcyone's tenement holding (Figure 1). As previously stated, the NWC has been interpreted as a series of NNW-SSE trending shear zones intersected by north-south orientated structures, with the potential for precious and base metals mineralisation to exist along and at the intersections of these features.

Alcyone completed a Sub Audio Magnetic (SAM) survey over the NWC in early 2011. A programme of Rotary Air Blast (RAB) and Reverse Circulation (RC) drilling was subsequently undertaken to evaluate key targets identified by the SAM survey and to follow up on earlier positive results at Hornet. Results from these programs were reported in the December 2011 quarterly.

Alcyone is planning additional RC drilling at Hornet and an initial RC drilling program for the Hornet North Prospect in Q3 2012. The very successful RAB program will be continued to the north-west following structures identified by the SAM survey.

3.4 Rivertree Joint Venture

During the March Quarter a detailed review was undertaken of the prospectivity of the area, the environmental management requirements for a mining operation at the location and overall economic parameters related to mining and processing. Based on this review it was decided that the prospect did not meet the internal requirement hurdles for Alcyone and a decision was subsequently taken to hand the tenement back to Malachite Resources.

4.0 CORPORATE

The Texas Mining Operations delivered a gross margin of ~\$1.4 million for silver sold during the March Quarter. This fall compared to the December Quarter (~\$2M) is a direct reflection of the impact of the wet weather coupled with the building of significant silver inventories on the leach pads. As such, the Company's cash position at the end of the Quarter continues to reflect the ramp-up stage of production and was in line with expectations.

4.1 Appointment of Non-Executive Director

In February Alcyone appointed Mr Ian McCubbing to the Board as a Non-Executive Director.

Mr McCubbing is a Chartered Accountant with extensive corporate experience, including senior finance roles with ASX 200 and other listed companies in both the mining and industrial sectors.

Mr McCubbing was previously Chief Financial Officer of GRD Ltd and is presently a Non-Executive Director of Kasbah Resources Ltd, Mirabela Nickel Ltd, Swick Mining Services Limited and Chairman of Eureka Energy Limited.

His financial and commercial expertise will strengthen and expand the Board's experience-base and be of considerable assistance as the Company enters the next phase of its growth strategy.

4.2 Hedging & Pre-Paid Facility with Credit Suisse

A total of 367,163 ounces of silver were delivered into the company's hedging and prepaid facility during the quarter through physical delivery and financial close out.

The Company's current forward silver sales and pre-paid commitment is 429,964 ounces at an average price of \$33.83 per ounce

4.3 Short term working capital facility

During the Quarter the company entered into a \$1.25 million facility with Seaspin Pty Ltd, a company controlled by a Director Mr Charles Morgan. The working capital facility was obtained on normal commercial terms is unsecured and is repayable on or before 1 July 2013 or from receipt of equity funds greater than \$2m whichever is earlier. At the end of the Quarter an amount of \$500,000 remained undrawn.

steady-state operations during Q4 2012. Other key activities for the current Quarter will include:

- Revising the Ore Reserve estimate for the Twin Hills deposit and the Mineral Resource review for the Mt Gunyan.
- Progressing exploration initiatives across the Company's 260 sq km Texas Silver & Polymetallic Project – particularly the emerging Silver Spur area.

5.0 OUTLOOK

The June Quarter will be another busy period for Alcyone, with the Company's core focus on completing the production ramp-up at the Twin Hills mining operation to achieve

Andrew King
Managing Director
20 April 2012

About Alcyone

Alcyone Resources (ASX Ticker: AYN) commenced silver production in July 2011 at its Texas Silver & Polymetallic Project in south-east Queensland, and is currently ramping up to an initial annualised production level of 1.2 – 1.5Moz per annum. Alcyone has embarked on an exciting new growth phase with aggressive exploration programs underway aiming to establish a 7-10 year mine life and targeting new silver and base metal discoveries within its 260 sq km tenement holding.

The Texas Silver & Polymetallic Project includes the Twin Hills Silver Mine and a portfolio of advanced silver and polymetallic base metal exploration targets. Alcyone has moved rapidly from acquisition of the Project in November 2009, through re-assessment and feasibility and into production.

The Company has upgraded the existing 1Mtpa Twin Hills processing plant, including the installation of new crushing circuit and a commercial-scale Merrill Crowe silver recovery circuit, which has been successfully commissioned and is now operating at design processing capacity.

Alcyone is on track to achieve steady-state commercial production by Q4 2012.

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.

Competent Person Statement

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.

APPENDIX 1: MINERAL RESOURCE ESTIMATION

Table 1: Twin Hills Mineral Resource Estimate, reported to Feb 2012 mining surface and above a 26.5g/t Ag cut-off

Classification	Tonnes	Grade (g/t Ag)	Contained Silver (Moz)
Measured	2,278,000	81.3	5.960
Indicated	6,267,000	43.9	8.865
Inferred	931,000	52.6	1.575
TOTAL	9,476,000	53.8	16.400

The mineral resource update has been estimated by Alcyone Resources Ltd using the same techniques as adopted for the Feb 2010 estimate, these being:

- the drill hole dataset composited within the mineralisation constraints to 2m down hole
- a combined geology/mineralisation/structural model developed by Shear Exploration Pty Ltd from re-logging existing diamond core and reinterpretation of the percussion drill logs
- Ag grade continuity statistics (as generated for the previous estimate by Cube Consulting but updated for the additional drilling and changed constraints) which highlighted search orientations and ranges for two major domains within the deposit
- Ag grade estimated using ordinary kriging with appropriate top-cuts applied to the input data
- A reporting cut-off selected (26.5g/t Ag) to reflect current economic criteria relating to “ore reserve” definition.

The techniques adopted and the reporting comply with the 2004 JORC code for reporting mineral resource estimates.

Table 2: Twin Hills Ore Reserve Estimate

Silver Price	Reserve Classification	Tonnes (Mt)	Silver Grade (g/t)	Recovered Silver (Moz)	Strip Ratio Waste : Ore
A\$19.85/oz	Proven and Probable	2.325	81	4.125	2.17 : 1
A\$25.00/oz	Proven and Probable	4.016	64	5.637	1.65 : 1

Table 2: Mt Gunyan In Situ Mineral Resource

Category	Tonnes	Ag g/t	Au g/t
Measured	242,000	69	0.16
Indicated	1,777,000	69	0.08
Sub-total	2,018,000	69	0.09
Inferred	329,000	69	0.05
Total	2,347,000	69	0.08

Tonnes and grade have been rounded to the nearest 1000 for tonnes and whole units for Ag. Cut-off grade of 40g/t Ag. The mineral resource has been estimated based on:

- Mineralisation determined by a combination of geology, structure and a nominal Ag boundary of 40g/t.
- The mineralisation occurs in two separate geographic Domains
- Validated drill hole data set composited within the mineralisation interpretation to 2m down hole
- Grade continuity statistics and geo-statistical assessment utilised to determine search orientation and distance by Domain
- Ag and Au grade estimated separately by inverse distance methods with restrictions on higher grades applied

APPENDIX 2 – DRILL HOLE INFORMATION

TABLE 1 SILVER SPUR NORTH DRILL COLLAR DETAILS						
Hole_ID	East_GDA94	North_GDA94	Elevation_AHD	TDepth	Dip	Azim_Mag
SSRB008	331626	6806137	373.18	60	-60	260
SSRB009	331638	6806128	372.63	14	-60	260
SSRB010	331658	6806129	372.14	76	-60	260
SSRB011	331638	6806122	372.55	72	-60	260
SSRB012	331612	6806137	373.09	72	-60	80
SSRB013	331621	6806102	372.6	60	-60	260
SSRB014	331667	6806097	372.08	59	-60	260
SSRB015	331678	6806103	371.35	60	-60	260
SSRB016	331709	6806094	369.75	59	-60	260
SSRB017	331732	6806082	368.41	60	-60	260
SSRB018	331724	6806074	367.98	60	-60	260
SSRB019	331734	6806074	367.91	60	-60	260
SSRB020	331736	6806063	367.27	77	-60	260
SSRB021	331726	6806098	368.67	60	-60	260
SSRB022	331663	6806121	371.92	60	-60	260
SSRB023	331599	6806156	373.2	60	-60	260
SSRB024	331604	6806147	390	69	-60	80

The coordinates are according to GDA_94 Zone 56, located by handheld GPS

TABLE 2: SILVER SPUR NORTH ASSAY RESULTS - HIGHLIGHTS						
Hole_ID	DepthFrom	DepthTo	Len	Ag g/t	S/C	Including
SSRB001	26	28	2	75	s	
	41	42	1	52	s	
SSRB002	15	16	1	42	s	
	19	20	1	29	s	
	55	58	3	54	s	
SSRB003	5	12	7	48	s	
	33	36	3	59	c	
SSRB007	3	15	12	185	s	inc 1m @ 1870 g/t Ag (top-cut)
	18	21	3	55	s	
	26	30	4	43	s	
SSRB008	6	15	9	72	c	
	24	27	3	48	c	
SSRB010	18	21	3	31	c	
SSRB011	21	24	3	30	c	
SSRB012	0	3	3	292	c	
	15	24	9	57	c	
SSRB015	30	33	3	53	c	
SSRB018	54	57	3	44	c	
SSRB019	27	30	3	51	c	
SSRB020	9	15	6	69	c	
	69	72	3	67	c	
SSRB024	18	24	6	58	c	

Holes SSRB001 to 007 were reported in ASX Announcement dated 24th January as 3m composite results.

Column S/C references 1m S(ingle) or 3m C(omposite) results

Intercepts in Table 2 have been generated by the application of the Twin Hills "ore" grade boundary condition cut-off (26.5g/t Ag) as the start and end point with individual lower grade samples included without restriction. The top-cut applied is 1000g/t Ag and impacts only 1 sample.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

Alcyone Resources Ltd

ABN

53 056 776 180

Quarter ended ("current quarter")

March 2012

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (.9 months) \$A'000
1.1	Receipts from product sales and related debtors	4,261	15,998
1.2	Payments for (a) exploration & evaluation	(289)	(1,733)
	(b) development	(602)	(12,775)
	(c) production	(3,828)	(3,828)
	(d) administration	(586)	(2,148)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	38	146
1.5	Interest and other costs of finance paid	(3)	(7)
1.6	Income taxes paid	-	-
1.7	Other – creditors trust paid	-	(600)
	Net Operating Cash Flows	(1,009)	(4,947)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(170)	(580)
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other – Environmental & security deposits	-	-
	Net investing cash flows	(170)	(580)
1.13	Total operating and investing cash flows (carried forward)	(1,179)	(5,527)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,179)	(5,527)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	83
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	750	3,750
1.17	Repayment of borrowings	-	(1)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	750	3,832
	Net increase (decrease) in cash held	(429)	(1,695)
1.20	Cash at beginning of quarter/year to date	1,770	3,036
1.21	Exchange rate adjustments to item 1.20	-	
1.22	Cash at end of quarter	1,341	1,341

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	128
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	
	Directors Fees, remuneration of Directors and financing fees	

Non-cash financing and investing activities

2.1	Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows
	25,692oz of silver was delivered at a value of \$750,000 being first tranche repayment of the company's silver prepay commitment.
2.2	Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities – Note (1)	1,250	750
3.2	Credit standby arrangements	-	-

Note (1) – Facility entered into with Seaspin Pty Ltd, a company controlled by a Director Mr Charles Morgan. The working capital facility on normal commercial terms is unsecured and repayable on or before 1 July 2013 or from receipt of equity funds greater than \$2m whichever is earlier.

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	(820)
4.2	Development	(543)
4.3	Production ⁽ⁱ⁾	2,564
4.4	Administration	(762)
	Total	439

(i) Note production represents forecast net proceeds from sales

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

		Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	1,341	1,770
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	1,341	1,770

+ See chapter 19 for defined terms.

Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	EL5714	Ceased interest in joint venture		
6.2	Interests in mining tenements acquired or increased		No changes		

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference + securities <i>(description)</i>	-	-		
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	- -	- -		
7.3	+Ordinary securities	1,324,399,821	1,324,399,821		Fully paid
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	- -	- -		
7.5	+Convertible debt securities <i>(description)</i>	-	-		

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	- -	- -		
7.7	Options (description and conversion factor)	62,166,667 250,000 1,000,000 1,000,000 5,000,000 500,000	- - - - - -	<i>Exercise price</i> 1 cent each \$9.60 each 11 cents each 11 cents each 15 cents each 12 cents each	<i>Expiry date</i> 30 Sep 2012 09 Nov 2012 31 Mar 2015 31 Aug 2015 29 Nov 2015 29 Nov 2015
7.8	Issued during quarter	-	-		
7.9	Exercised during quarter	-	-		
7.10	Expired during quarter	-	-		
7.11	Debentures (totals only)	-	-		
7.12	Unsecured notes (totals only)	-	-		
7.13	Performance Share Rights (description and vesting dates) - 30 Nov - 30 Nov - 30 Nov	166,666 166,666 166,667	- - -	<i>Vesting Date</i> 29 Nov 2012 29 Nov 2013 29 Nov 2014	<i>Expiry Date</i> 29 Nov 2015 29 Nov 2015 29 Nov 2015
7.14	Issued during quarter	-	-		
7.15	Exercised during quarter	-	-		
7.16	Expired during quarter	-	-		

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does ~~/does not~~* (*delete one*) give a true and fair view of the matters disclosed.



Sign here: Date: 20 April 2012
(~~Director~~/Company secretary)

Print name: Kevin Hart.....

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** - The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.