



Alcyone pours silver bars after recommencement of full-scale mining operations at Twin Hills Silver mine in Southern Queensland

Highlights:

- **Alcyone recommences pouring of silver bullion at its high grade operations in Queensland;**
- **Production has recommenced with over 29,000 tonnes crushed and in excess of 68,000 ounces for leaching;**
- **A total of 809,595 oz now stacked on all four leach pads;**
- **Bullion sales will be entering into a strengthening market, with silver spot price now above US\$24/oz.**
- **Updated mine plan has been completed with further JORC work to be done on Mount Gunyan.**

Precious metals focused silver company Alcyone Resources (ASX: AYN) (“Alcyone” or “Company”) is pleased to advise that it has recommenced full time mining and processing activities at its Twin Hills Mine in Queensland, and will pour silver bullion this week .

Following the recent completion of its Rights Issue and other financings Alcyone has revitalised its operations and rapidly brought the mine and processing back to full time production levels. Production from the onsite crusher has been sourced from existing high grade stockpiles for a total of 29,432 tonnes crushed, realising 68,574 ounces stacked of a total of 809,595 ounces for leaching, with silver bullion ready to be shipped to the Perth Mint by the end of the week.

In recent weeks the Company has achieved several significant milestones, most notably the laying of the foundations of the crusher upgrade and scheduling of the shutdown for the last two weeks of September. As previously announced, the upgrade included a fines bypass component however Alcyone has now been able to source a High Pressure Grinding Rolls. Installation of this additional crusher will happen in late September or early October .This cutting edge technology crusher will not only vastly improve tonnages and mechanical availability but will, in the Company’s view, lead to increased recoveries from the heaping and leaching process. Test work shown below shows a significant rise in overall silver extraction by 10% (See Figure 1)

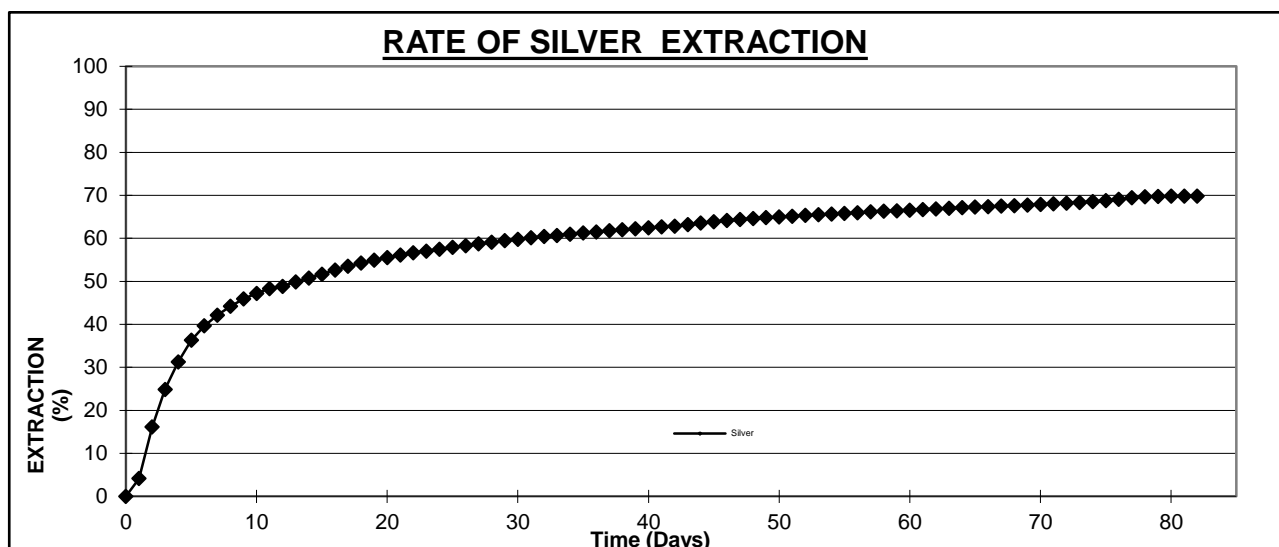


Figure 1. Improved Rates of Silver Extraction

On the recommencement of full scale production activities Alcyone Managing Director, Mr Michael Reed, said "Alcyone is unique among its ASX listed peers as the only pure-play silver company that is producing and selling silver in Australia. I am very pleased that we have recommenced production in an environment where the spot price of silver has broken through US\$24/oz and the Australian Dollar remains at or around \$0.90 against the US Dollar. This represents a price per ounce higher than historical C3 costs and substantially higher than the projected post upgrade C3 costs of AU\$21.45. This improvement in general trading conditions sets the platform for achieving an earnings outcome in advance of current projections."

Additional Mining Plant and Equipment

The scheduled crusher upgrade will increase the current throughput rates from 700,000 tonnes per annum to over 1.1 million tonnes per annum, which realises over 1.2 million ounces of production from the heap leach operation. The addition of a tertiary cone crusher will reduce the reduction ratio from 8:1 to 3:1, which will deliver a 40% increase in tonnages from the primary circuit. The addition of surge bins will also allow better process control and contribute to better availability for the first stage of crushing.

The installation of a HPGR and overflow chute will not only enhance the tertiary section of crushing section in terms of throughput but will lead to better metallurgical recoveries due to the increased k/N pressure creating better fracture around the grain boundary (See Figures 2 and 3). This type of crusher has been used very successfully in diamonds and iron ore and sits in the cutting edge of crusher extraction technology.

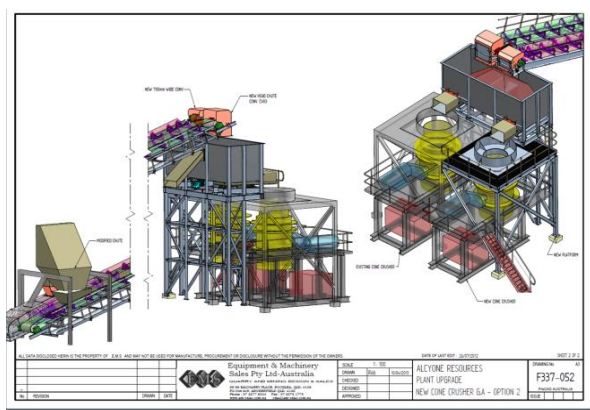


Figure 2. Upgraded crusher including the addition of the 2nd cone crusher and surge bins

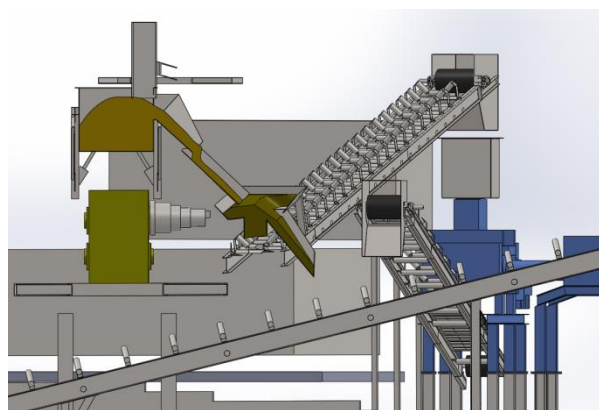


Figure 3. Cascading overflow chute to allow for fines extraction plus the High Pressure Grinding Rolls (HPGR)

As a part of the overall strategy to reduce costs the cyanide mixing facility has progressed to the stage that concrete can be laid for the bunded area and work will start this week with the refurbishment of existing site mixing tanks. Along with significant savings over life of mine the facility mitigates the risk of rainfall events in Queensland, which severely affected operations in the previous financial year.

Alcyone is now underway to satisfying two of the four core initiatives that it highlighted in the review of operations undertaken by the new board and management. The two outstanding projects are the HV power line and the reduction of hired machinery and infrastructure which will be addressed in the coming weeks.

Mount Gunyan Expansion Project

The Texas Silver project currently encompasses the Twin Hills and Mt Gunyan ore body. The Mt Gunyan ore body which contributes 5,206,601 ounces to the overall resource has exciting growth prospects which could potentially lengthen mine life to beyond 10 years. Exploration success outside the known ore body has been not only been successful but has delineated core drilling targets which Alcyone intends to pursue in the near future (See Figures 4 and 5)

Alcyone's change of focus away from base metal exploration to near mine silver targets is one of it's underpinning objectives to concentrate on extension of mine life and profitability and to maximise shareholder returns

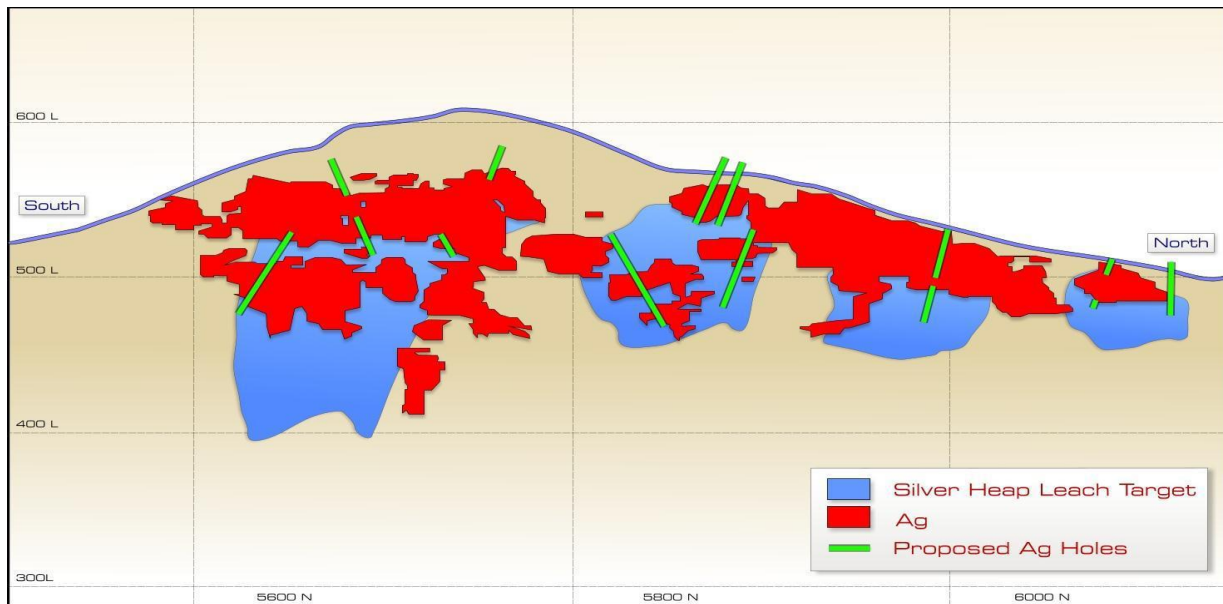


Figure 4. Mt Gunyan Heap Leach Targets

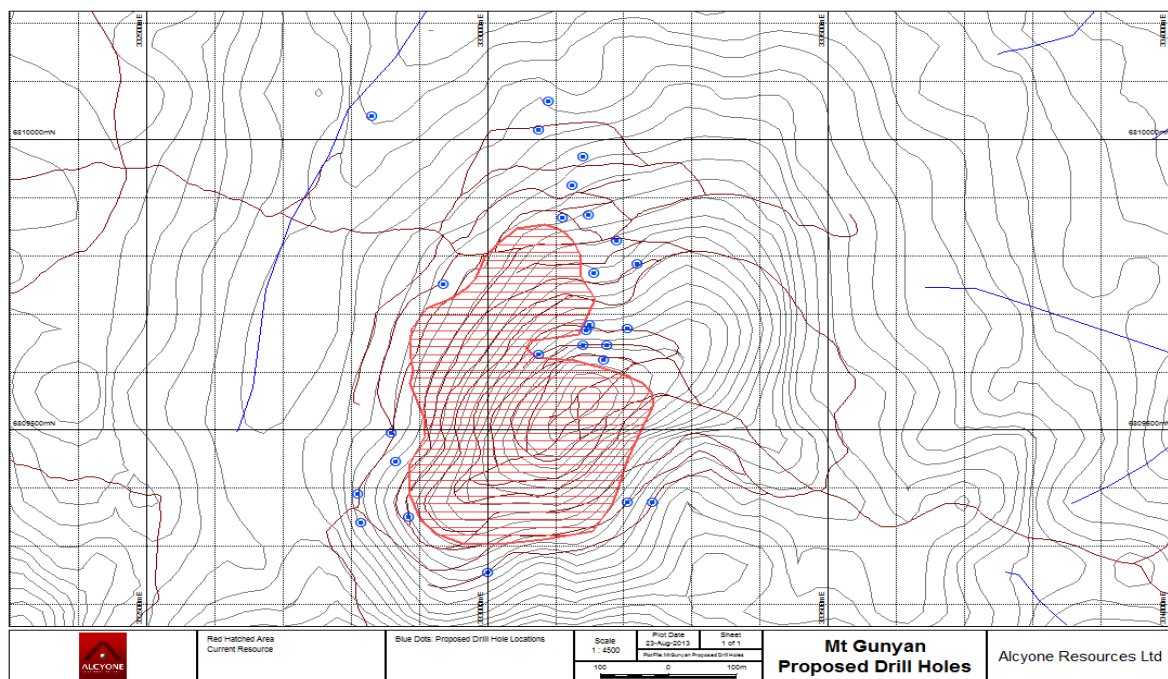


Figure 5. Mt Gunyan Potential Drilling Targets

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About Alcyone

Alcyone Resources (ASX:AYN) is a pure play low cost silver producer based in south-east Queensland. Alcyone's Texas Silver Project (100% owned) which includes the Twin Hills Mine and Mount Gunyan commenced silver production in July 2011, with targeted annual silver production levels in excess of 1Moz.

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.