

Not for release or publication in the United States

\$4M PLACEMENT TO ACCELERATE RAMP-UP OF SILVER PRODUCTION AND INCREASE EXPLORATION

HIGHLIGHTS

- \$4M share placement at 5.3c to new and existing investors, including several North American funds.
 - Board finalising an offer to existing shareholders on similar terms to raise up to an additional \$4.0M.
 - Funds to be used to accelerate growth at the Texas Silver & Polymetallic Project by:
 - *bringing forward construction of Leach Pad 4 at the Twin Hills Operations to accelerate the ramp-up of silver production;*
 - *connecting to grid power to further drive down cash operating costs; and*
 - *commencing an expanded exploration program on both existing and new exploration ground within its 1,160km² tenement package at Texas.*
 - The Texas project is now cash flow positive and on track to achieve target silver production and forecast cash costs as full production capacity is achieved, with the new funds to be applied to accelerate that process and grow the resource inventory.
 - Silver production continues to steadily increase with ~75koz produced for the month of April and the leaching inventory currently standing at over 400,000oz.
-

Alcyone Resources Limited (ASX: AYN; 'Alcyone' or 'the Company') is pleased to announce that it has finalised arrangements to raise **\$4 million** through a share placement to accelerate the ramp-up of silver production, reduce operating costs and fund new exploration initiatives at its flagship **Texas Silver & Polymetallic Project** in south-east Queensland.

The Company has firm commitments for a share placement comprising approximately **75.4 million** shares at an issue price of **5.3 cents** per share, plus one free attaching option for two new shares issued, exercisable at 8 cents per share and expiring 3 years from the date of issue, to raise **total proceeds of \$4.0 million**.

In addition, Alcyone is currently finalising details for a share offer to all eligible shareholders on similar terms to raise up to a **further \$4 million**, which will provide existing shareholders with the opportunity to participate in the raising. The details of this offer will be made available in due course.

A number of international institutions and high net worth investors, including several existing long-standing shareholders, are participating in the share placement, of which Casimir Capital is lead manager. The Company is also pleased to advise that, subject to shareholder approval, Alcyone's Chairman, Mr Charles Morgan, has applied for \$500,000 in the placement.

The share placement is not subject to shareholder approval as it falls within Alcyone's 15% placement capacity under Listing Rule 7.1.

The proceeds of the share placement will be used for the following purposes:

- to bring forward the commissioning of Leach Pad 4 (LP4), enabling Alcyone to accelerate the ramp-up of production at the Twin Hills heap leach silver mine;
- to fund connection to the State electricity grid in South East Queensland, which should significantly reduce operating costs at the Texas Project. Alcyone estimates that the capital outlay for this initiative will be repaid within approximately 12 months;
- to expand upcoming exploration activities at the Texas Project, including drilling of recent near-mine discoveries and targets such as the exciting new Silver Spur North silver discovery and Hornet copper prospect, and to fund broader regional exploration activities within newly acquired tenements at the Texas Project; and
- to further strengthen the Company's working capital position.

Silver production is continuing to ramp up at the Twin Hills mine, with approximately 75,000oz of silver produced for the month of April (vs. 178,000oz for the March Quarter). Irrigation of Leach Pad 3 (LP3) is continuing and construction of LP4 is now scheduled to commence shortly. The total leaching inventory, after April's production, has remained at approximately 400,000oz Ag, in line with the end of the March 2012 Quarter, and is expected to continue to grow during the June Quarter.

The Twin Hills operations are now cash flow positive and are forecast to remain cash flow positive as production ramps up to targeted levels.

Cash operating costs per oz Ag continue to trend downwards towards the long-term target of \$A15/oz. Daily (unaudited) cash costs during April have been as low as \$15/oz and are expected to average around the \$21/oz mark for the month. This is a good result during this bedding down period and the Company is confident that it will achieve steady-state cash costs of around \$15/oz Ag as full production is attained.

On the exploration front, Alcyone has recently re-commenced RAB drilling to both in-fill and test strike extensions of the high-grade silver mineralisation intersected at the emerging **Silver Spur** area, located 2km south-east of Twin Hills. Extensive silver mineralisation has been confirmed within a series of sub-parallel zones at Silver Spur. RAB/diamond drilling is now also planned in the September Quarter to confirm the structural and lithological characteristics of the prospect.

RC drilling is scheduled to commence shortly to in-fill and extend previously identified mineralisation at the promising Hornet base metals prospect, located 2km west of Twin Hills. This aims to deliver an initial JORC resource estimate, as well as to test other priority base metal and heap leach silver prospects.

The Company is also preparing work programmes for the tenements newly acquired from Navaho Gold (see ASX Announcement – 23 April 2012) with a view to commencing the first RAB drilling in the September Quarter. Several significant geological and structural settings have been identified as prospective for silver and base metals mineralisation close to the Twin Hills operation.

Alcyone's Managing Director, Mr Andrew King, said he was very pleased with the response from investors to the capital raising, which will see the Company's share register strengthened with the introduction of a number of new North American funds and investors.

"I would like to take this opportunity to thank both existing and new investors, and in particular the Chairman, for their support and confidence in the future of the Company and its outstanding growth potential," Mr King said. "We look forward to a period of steadily increasing production, falling operating costs and active news flow from exploration during the second half – laying the foundations for Alcyone's next phase of growth as a leading Australian silver producer."

ENDS

For further information:

Andrew King – Managing Director
Alcyone Resources
Phone: +61-8 9476 3000

For media enquiries:

Nicholas Read
Read Corporate
Phone: +61 8 9388 1474

IMPORTANT NOTICE:

This announcement has been prepared for publication in Australia and may not be released or distributed in the United States. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or any other jurisdiction. Any securities described in this announcement have not been, and will not be, registered under the US Securities Act of 1933 (as amended) and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.

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 annualised production level of 1.2 to 1.5Moz Ag 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 now 1,100 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.

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.

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.