



ALCYONE RAISES \$3.7M TO UNDERPIN NEW EXPLORATION DRIVE TARGETING COPPER AND POLYMETALLIC POTENTIAL

EXPLORATION INITIATIVE AT TEXAS COMPLEMENTS PLANS TO RESUME SILVER PRODUCTION

HIGHLIGHTS

- Firm commitments received to raise \$3.7M through the issue of 148M shares at 2.5 cents to underpin expanded exploration program at Texas Project, SE Qld
- Four high priority base metal targets confirmed following review of 275 sq km tenement package
- Two key silver targets identified with potential to increase heap leach silver resource inventory
- Drilling planned to commence in May to confirm and extend known mineralisation
- Ground-based geophysics commencing in June / Airborne geophysics - being assessed - to enhance and assist with target definition

Alcyone Resources Limited (ASX: AYN; 'Alcyone' or 'The Company') is pleased to announce that it has received firm commitments to raise **\$3.7 million** through a share placement to underpin a significant new exploration initiative at its 100%-owned **Texas Project** in south-east Queensland.

The proceeds will be used to provide working capital and fund new drilling and exploration programs designed to unlock the broader exploration potential of the **Texas Project** for **epithermal** and **massive sulphide base metal mineralisation**, as well as to increase its existing inventory of heap leach silver resources.

Drilling is scheduled to commence in late-May following a detailed review of part of the Company's 275 sq km tenement package which has revealed a considerable number of targets. Of these, **four priority base metal targets** and **two heap-leach style silver targets** have already been confirmed from the reviews completed to date.

The new exploration program opens up an exciting new growth opportunity for Alcyone to be pursued in parallel with its plans to resume mining operations and silver production at Twin Hills by the end of 2010. The successful delineation of these styles of mineralisation could open up the potential for significant new resource development opportunities in the Texas region alongside the heap leach silver operation.

Share Placement

Alcyone has received firm placement commitments from professional and sophisticated investors to raise \$3.7 million (before costs) from the placement of 148,000,000 ordinary fully paid shares at 2.5 cents each. The placement is being managed by Cygnet Capital and will be completed in two tranches.

Tranche One, comprising 92,000,000 shares (\$2.3 million) will be completed pursuant to the Company's 15% placement capacity. Tranche Two of the placement, comprising 56,000,000 shares (\$1.4 million), is subject to shareholder approval both for the quantity and to allow a Director, Mr Charles Morgan to participate in the placement.

The Company initially considered a capital raising of between \$2 million and \$3 million but received such a strong response from the investment market that it was decided to accept over-subscriptions to a total of \$3.7 million.

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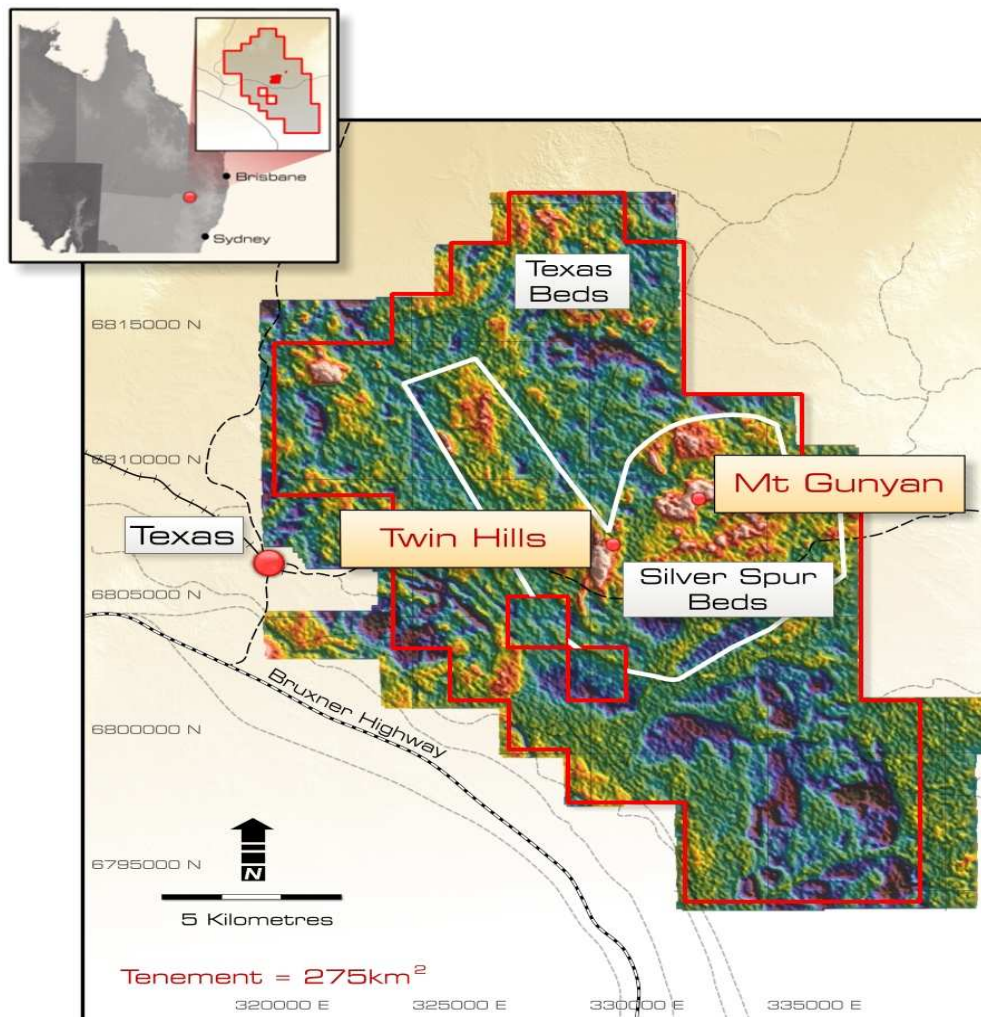
Drilling and Exploration Programs

Drilling will initially be targeted to verify and extend known copper and polymetallic mineralisation at the **Harrier, Mt Gunyan** and **Silver Spur** targets. Geophysics will be utilised to improve target definition at **Tomcat**, before moving on to drill out extensions to the known heap leach silver mineralisation at the **Mt Gunyan and Twin Hills** prospects.

Alcyone has completed a partial review of the available historical information from the tenements – including some limited drilling undertaken by the previous operator which returned significant results – and is currently integrating this with comprehensive structural and geological models that are being developed for the mineralisation at Texas.

The Company has initially identified geophysics – in particular Downhole Electromagnetics (DHEM) and 3D Electromagnetic (3DEM) surveys – as key targeting tools. Airborne geophysics is also being considered with a final decision on any work programme and timing to be made in the third quarter 2010.

Alcyone has confirmed the presence of two distinct sedimentary sequences within the project area, the “Silver Spur Beds” and the underlying “Texas Beds” (see *Figure 1*). Both of these sequences host epithermal-style mineralisation (analogous to other known epithermal systems such as Cracow and Pajingo).

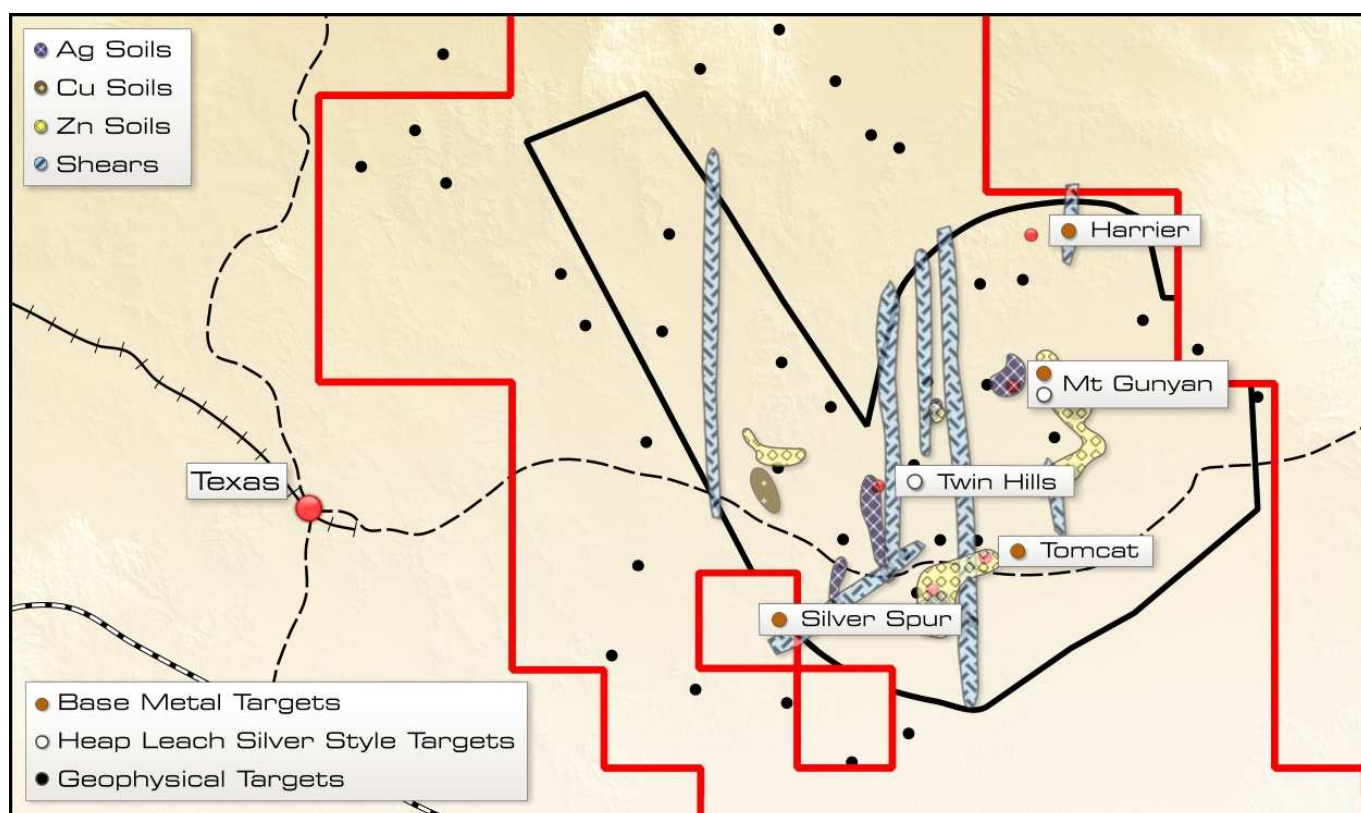


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The Company's initial focus has been on the Silver Spur Beds where the epithermal-style mineralisation has been identified as occurring in veins and breccia zones within siliceous alteration and more structurally controlled massive sulphide zones. This model has been used to assist the Company to define a number of priority exploration targets.

Alcyone is also reviewing the potential to locate both the "source" of the mineralising fluids and sedimentary-hosted mineralisation in the style of SEDEX (SEDimentary EXhalative) and volcanogenic massive sulphides (VMS). The focus for this work will be directed towards the 'Texas Beds' and will form part of the next phases of the Company's exploration strategy.

The work undertaken to date on the Silver Spur Beds has resulted in the delineation of a number of initial key exploration targets (Figure 2) and associated work programs which are summarised below.



Alcyone's Managing Director, Mr Andrew King, said each of the base metal targets had the potential to deliver significant new zones of economic mineralisation outside of the recently-announced JORC mineral resource estimate for the Texas Project of 15.1 million ounces of silver (Appendix 1).

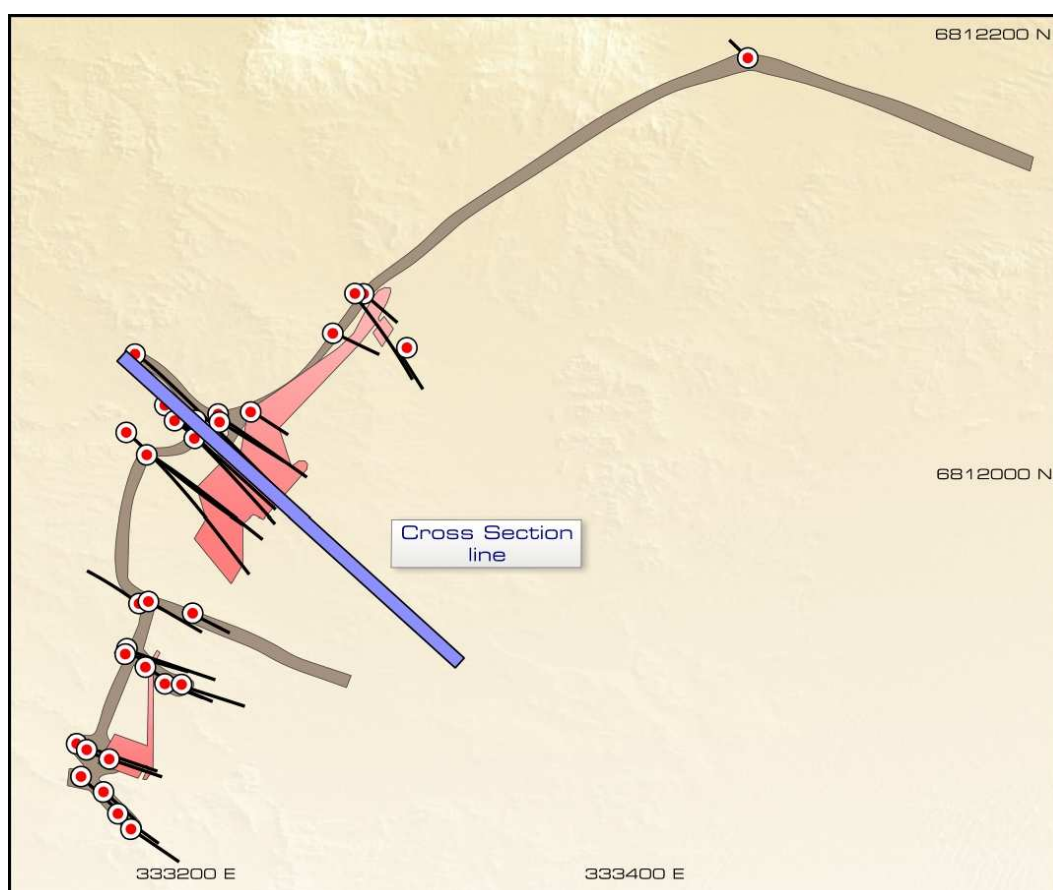
"A key focus of the forthcoming programs will be to continue to source additional heap leachable material that can be added to the feedstock of the Twin Hills Silver Mine as part of our core production strategy, which is targeting a re-start of operations at Twin Hills by the end of this year.

"At the same time, our recent work has added an exciting new dimension to the Texas story, confirming that this is a highly prospective and yet virtually unexplored mineral field with multiple targets for epithermal and massive sulphide mineralisation."

Base Metal Targets

HARRIER

- **Copper prospect** – best intercept of **5m @ 5.9% Cu and 3.3% Zn** from 93m in previously reported drill hole TUD002. Additional holes delivered **9m @ 2.5% Cu and 0.4% Zn** from 40m down hole (TUD001) and **9m @ 2.3% Cu** (TUP7) (see Note 1, Figure 3 and Figure 4).
- Old shallow workings to max of 40m, where Government records suggest that only 81 tonnes of ore at 11% Cu was mined (1920 to 1922).
- 500m strike length confirmed by in field and data review.
- **Proposed work program:** 9-hole diamond program totalling approximately 850m to start May 2010. In addition, geophysics will be employed to enhance the current targets and identify any adjacent targets. The geological modelling developed to date will be used to further improve the targeting of drill holes for the program.



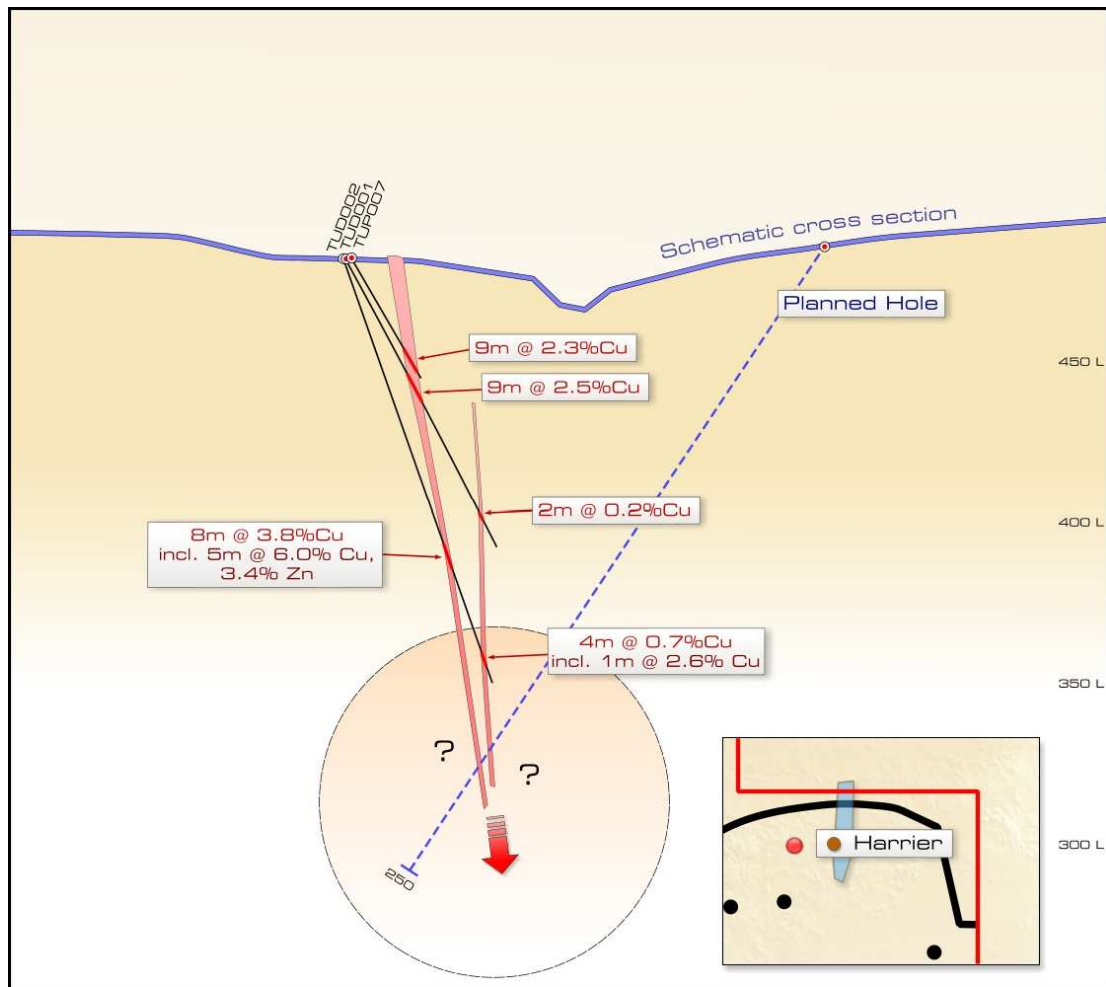


Figure 3)

MT GUNYAN

- **Known zinc-lead mineralisation** – best intercept of **0.38m @ 16.9% Zn and 9.18% Pb** from 131m in previously reported drill hole MGD 015 (see Note 1).
- **Proposed work program:** investigate mineralisation extent with geophysics and drilling for in-fill follow up. Continue geological modelling to improve target generation. Re-log core to determine if other zones should be assayed for polymetallic mineralisation. Diamond drilling to commence in June – totalling between 350 and 500m

SILVER SPUR

- Previously reported massive sulphide JORC Mineral resource:
808,000 tonnes @ 3.56% Zn, 1.25% Pb, 70g/t Ag (Inferred) above 2% ZnEq cut-off (see Note 2)
 Historical records – previous mining 90-100,000 tonnes at 25% Zn, 13% Pb and 800g/t Ag
- **Proposed work program:** confirm mineral resource estimate plus utilise geophysics to enhance targets. Approximately 500-600m of diamond drilling to commence in June/July 2010.

TOMCAT

- Co-incident Zinc soil and geophysical anomaly approximately 1.5km east-northeast of Silver Spur.
- **Proposed work program:** detailed geophysical programme and review required to target for drilling following Silver Spur program.
- Potentially 400-500m of diamond drilling following on from Silver Spur.

Heap Leach Silver Style Targets

MT GUNYAN

- Definition of down-dip extensions & in-fill on edge of currently defined resources.
- **Proposed work program:** 600m of diamond drilling starting in June

TWIN HILLS

- Phase 1 program to target in-fill and near-surface extensions. These targets particularly relate to the sourcing of orebody extensions that could impact the early stages of the next phases of mine development. The potential for a target at the southern end of the resource has been identified but this requires further research prior to any drilling being undertaken.
- **Proposed work program:** ~900m of drilling starting 3rd Qtr 2010. Further drilling to be phased to suit potential mine development schedule as it evolves.

Note 1: Holes TUD002, TUD 001 and TUP7 were reported in an ASX announcement dated 30th September 2004
Hole MGD015 was reported in an ASX release dated 13th November 2007

Note 2: The Silver Spur Inferred Mineral Resource is that as previously reported to the ASX on the 14th July 2004

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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 program 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 of 5.9Mt @ 79g/t Ag for 15.1Moz of contained silver in March 2010.

The Twin Hills mine remains fully developed and is in a position to immediately recommence operations following a decision to start commercial silver extraction. Alcyone is aiming to recommence mining at Twin Hills in the Fourth Quarter of calendar 2010.

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 Australian 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.

APPENDIX 1 : MINERAL RESOURCE ESTIMATION

Table 1: Texas Silver Project, JORC Compliant Mineral Resources – March 2010

Deposit	Resource Category	Tonnes	Grade (g/t Ag)	Contained Silver (oz)
Twin Hills	Measured	1,762,000	86	4,868,000
	Indicated	1,466,000	79	3,722,000
	Inferred	614,000	81	1,602,000
	TOTAL:	3,842,000	83	10,192,000
Mount Gunyan	Indicated	1,756,000	76	4,267,000
	Inferred	350,000	58	650,000
	TOTAL:	2,106,000	73	4,917,000
TOTAL	ALL CATEGORIES	5,948,000	79	15,109,000

Note: Specific comment regarding the method of calculation for the Resource and the role of external consultants was detailed in the March 2010 Quarterly Report (23 April 2010).