



## ALCYONE RAISES FURTHER \$11.2M TO ACCELERATE COMMENCEMENT OF SILVER PRODUCTION AT TEXAS PROJECT

*STRONGLY OVERSUBSCRIBED SHARE PLACEMENT BRINGS TOTAL CAPITAL RAISING TO ~\$16.6M*

### HIGHLIGHTS

- Oversubscribed share placement to clients of Southern Cross Equities to raise ~\$11.2M through the issue of 320M shares at an issue price of 3.5 cents per share.
- Increases total capital raising to ~\$16.6 million following completion of recently announced non-renounceable rights issue.
- Proceeds to be used to fund engineering and construction work associated with the re-commencement of commercial silver extraction at the Twin Hills Project, Queensland.
- Re-irrigation of existing heaps expected to commence shortly: ~400,000t of leachable material at an average estimated grade of 45g/t Ag.
- Exploration effort to intensify targeting increased silver resources and key copper targets including Hornet

Alcyone Resources Limited (ASX: AYN; 'Alcyone' or 'the Company') is pleased to announce it has received firm commitments to raise approximately **\$11.2 million** through a share placement to professional and sophisticated clients of Sydney-based Southern Cross Equities Limited. The proceeds will be used to accelerate development of the **Twin Hills Silver Project**, part of its 100%-owned **Texas Silver and Polymetallic Project** in south-east Queensland.

The placement will be completed in two tranches:

- Tranche 1 comprising approximately 118 million shares at 3.5 cents per share to raise approximately \$4.1 million will be completed under the 15% placement capacity allowed under ASX listing rules;
- Tranche 2 comprising the issue of approximately 202 million shares at 3.5 cents per share to raise approximately \$7.1 million will be subject to shareholder approval, with a general meeting proposed to be held in January 2011.

Alcyone had initially sought to raise up to \$10 million through the share placement, however following an exceptionally strong response from investors, the Company elected to accept a further \$1.2 million in over-subscriptions to allow a greater number of investors to participate.

On completion, the share placement, together with the non-renounceable rights issue announced on 25 November, will increase the Company's total capital raising to **approximately \$16.6 million** (excluding costs).

The proceeds will be used to complete engineering and construction work associated with the commencement of commercial silver extraction at Twin Hills, with a development schedule for the Project to be announced in due course. In addition, Alcyone will now move to complete negotiations and documentation for contracts relating to mining, consumables, major equipment components and construction as well as accelerating exploration on its key targets

Alcyone's Managing Director, Mr Andrew King, said he was delighted by the strong level of investor support for the capital raising which also reflected growing investor interest in emerging silver producers given the recent increase in the silver price.

"We had an outstanding response from investors and I would like to thank our existing shareholders for their continued support and welcome our new shareholders to the register. Following the completion of Tranche 1 and Tranche 2, subject to shareholder approval, Alcyone will be fully funded to recommence commercial silver extraction, starting with the imminent re-irrigation of the existing heaps at Twin Hills, then seeking to ramp up to full scale production as soon as the construction work is completed," he said.

Alcyone's recently-completed economic review of the Twin Hills Mine indicated the Project is well placed to generate strong operating margins based on a forecast annual ore processing rate of 1Mtpa, from the Twin Hills Resource.

The economic model forecasts an average head grade of approximately 80g/t Ag based on the current JORC Mineral Resources, as detailed in Appendix 1, and assumes an average recovery of 69%. This is considered to be conservative based on the extensive metallurgical testwork undertaken by the Company.

At this production rate, the operation would generate **average annual silver production of between 1.5 and 2Moz** (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.**

At current silver prices of over A\$29/oz, this would translate into a robust operating margin of approximately **A\$15/oz**, enabling the Project to generate strong cash flows.

Mr King said work on the completion of a revised mineral resource estimate for the Twin Hills deposit and nearby Mount Gunyan deposit was also progressing well.

"We have conducted extensive exploration work over recent months and are now finalising an updated resource estimate for the Twin Hills and Mount Gunyan areas," he said. "This process has been slightly held up due to delays at the assay laboratory, but we expect to complete the revised resource estimate early in the first quarter of 2011 and commence work on a new reserve calculation shortly thereafter."

"The additional funding will also enable us to maintain the current momentum of our exploration program at Texas, with an emphasis on additional drilling to increase our silver resource inventory and continued testing of our regional copper targets, particularly the exciting new Hornet discovery," Mr King added.

"Weather permitting, we are aiming to undertake some more geophysics at Hornet and potentially a RAB drilling programme during December and January. The results of this work will be reviewed in conjunction with the outstanding recent diamond drilling assays to develop an expanded regional exploration and drilling programme to start as soon as the ground dries out in 2011," he added.

ENDS

For further information:

Andrew King – Managing Director  
Alcyone Resources  
Phone: +61-8 9322 3000

For media enquiries:

Nicholas Read  
Read Corporate  
Phone: +61 8 9388 1474

## 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 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 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.*

*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.*

## APPENDIX 1: MINERAL RESOURCE ESTIMATION

### Texas Silver Project, JORC Compliant Mineral Resources – March 2010

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

**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).