



BOARD APPOINTMENTS/RESIGNATION AND OPERATIONS UPDATE

Board Appointments

The Company is pleased to announce that Alcyone Resources Operations Manager, Mr Michael Reed, has joined the Board of Directors in the capacity of Executive Director (Operations). Mr Reed has managed Alcyone's Texas Silver Mine for last two years and is a metallurgist with over 20 years' experience within the Australian mining industry, both in process facilities and mining operations. He has held senior technical, operational and corporate positions and has a diversified background in gold and alumina.

Mr Reed said that he was "delighted to join the Board of the Company at this time to inform decisions at the corporate level linked directly to operations and production. I am confident that this alignment of operational and corporate roles and responsibilities will help foster a more flexible, responsive and productive business."

The Company advises that Mr Andrew Richards has resigned from the Board. The Board thanks Mr Richards for his service to the Company in establishing Alcyone as a rapidly growing silver producer.

FINANCIAL AND OPERATIONS UPDATE

As reported in the Company's Half Yearly Report, silver production from the Texas Operations for the half-year was 439,431oz, which represents an increase of 60% over the period in 2011. Notwithstanding the challenges the Company experienced during this period with mechanical, contractor and weather events that impacted Alcyone's planned production, the Company delivered revenues of \$13.3 million for the period and a net operating loss of \$1.24 million (See Table 1)

Table 1. Summary of Operating and Financial Performance

Summary of Performance	2012	2011	Change (%)
Silver Production (oz)	439,431	274,301	60%
Silver Inventory (oz)	614,187	236,738	159%
Mining (t)	426,946	189,361	125%
Processing (t)	392,211	194,343	102%
Revenue (\$)	\$13,331,168	\$286,883	4547%
Net Profit/(Loss)(\$)	(\$1,240,599)	(\$2,539,324)	51%

Proved & Probable Ore Reserves for the Twin Hills deposit were also increased in October by 30 per cent to 5.5 million tonnes grading 57 grams of silver per tonne for 6.6 million ounces of recoverable silver (10 million ounces of contained silver), reported below the mining surface. The revised Ore Reserve underpins a mine life of between 5 and 6 years from the Twin Hills deposit alone, based on the targeted full-annualised production rate at Twin Hills of 1.2Moz per annum.

In addition, the Mineral Resource for the Mt Gunyan deposit, 4km east of Twin Hills, was increased by 35 per cent to 3.9 million tonnes grading 55 grams of silver per tonne for 7.0 million ounces of contained silver. This has increased the total Texas Project Mineral Resource inventory (encompassing Twin Hills and Mt Gunyan) to 13.3 million tonnes grading 53.6 grams of silver per tonne for 23 million ounces of contained silver.

Positive results were also obtained from preliminary optimisation studies for Mt Gunyan as the next source of ore feed, with a Feasibility Study on the planned development of this deposit expected to be undertaken in 2013.

SUMMARY

Executive Director, Mr Reed, said "we are pleased with the Company's performance during the half year in what has been testing operational and corporate conditions. With the upgrade to key plant and equipment and a newly appointed board and management team in place, I am confident that the Company is well positioned to improve on this half yearly result quarter going forwards."

ENDS

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 1,100km² 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.

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.

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 Ian Huitson who is a Fellow of the Australasian Institute of Mining and Metallurgy and Director of Mining Solutions Pty Ltd a mining and management consultancy.

Mr Huitson is a mining engineer with over 25 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 Huitson consents to the inclusion in this Report of the information compiled in the form and context in which they appear

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.

Twin Hills Mineral Resource and Ore Reserve reported to end of July 2012 mining surface

Table 1: Mineral Resource – 26.5g/t Ag cut-off

Category	Tonnes	Ag	Contained Oz Ag
Measured	2,151,000	80	5.5
Indicated	6,152,000	44	8.7
Inferred	1,045,000	51	1.7
Total	9,348,000	53	16.0

The Mineral Resource stated in Table 1 is total in situ remaining at end of July 2012 and INCLUDES the Ore Reserve quoted in Table 2 following.

Table 2: Ore Reserve

Category	Tonnes	Ag (g/t)	Contained	Recovered
			Ag MOz	Ag MOz
Proved	1,860,000	82	4.9	3.2
Probable	3,690,000	45	5.4	3.5
Total	5,550,000	57	10.2	6.6

The above Ore Reserve is reported at a cut-off of 26.5g/t Ag and from the base of the pit as at the end of July 2012. The expected recoverable Ag is determined at a recovery rate of 65%.

Mt Gunyan Mineral Resource and Scoping Study Results

Table 1: Mount Gunyan Mineral Resource Estimate \geq 30g/t Ag

Class	Tonnes	Ag	Contained Ag Moz
Measured	754,000	56	1.3
Indicated	2,884,000	55	5.2
Inferred	302,000	48	0.5
Total	3,940,000	55	7.0

The mineral resource was been estimated by Alcyone personnel using the Vulcan geological modelling package and the following techniques: -

- Validated drill hole data set composited within the mineralisation interpretation to 2m down hole
- Mineralisation determined by a combination of geology, structure and grade for Ag and Au separately. Domains assigned by location and characteristic similarity
- Grade continuity statistics and geo-statistical assessment utilised to determine search orientation and distance by domain
- Ag grade estimated by ordinary kriging using a grade continuity established by domain.
- Reporting cut-off for Ag selected to provide similar average in situ grade as for the nearby Twin Hills Deposit given the geological and likely similar leaching characteristics of the material.

Table 2: Mt Gunyan Scoping Study Results

			Contained	Recovered
Class	Tonnes	Ag	Ag Moz	Ag Moz
Measured	701,000	52.2	1.2	0.7
Indicated	1,676,000	58.4	3.1	1.9
Inferred	28,000	53.7	0.0	0.0
TOTAL	2,405,000	56.5	4.4	2.6

The mineral resource identified within the above Table 1 is reported at 30g/t Ag with the expected recovered ounces determined at 60%

The information provided is not an Ore Reserve as Alcyone as yet does not have sufficient data to make supportable economic assumptions regarding the parameters to define such.

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