

## ALCYONE SECURES HEDGING AND PRE-PAID FACILITY WITH CREDIT SUISSE, ACCELERATES EXPLORATION

### *Key points*

- Alcyone enters into secured hedging and pre-paid facility with Credit Suisse, taking advantage of historically high silver prices and comprising:
  - *Forward sales covering ~40% of its first year of production – 700koz over a 12-month period at an average price of A\$33.77/oz*
  - *A pre-pay arrangement realising A\$3M in up-front cash from 102,000oz to accelerate exploration activities*
- Provides additional flexibility to accelerate exploration and pursue new growth opportunities while production from the Texas Silver & Polymetallic Project ramps up to its targeted annualised rate of 1.5 -2.0Moz pa
- Maintains significant exposure to continuing strong silver price, with 50% of first 12 months of production and 100% of remaining mine life unhedged.
- Alcyone currently considering a proposal for a Line of Credit Facility with Credit Suisse to support future growth and acquisition opportunities.

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**Alcyone Resources Limited (ASX: AYN; 'Alcyone' or 'the Company')** is pleased to advise that it has entered into a silver forward sale transaction and \$3 million pre-paid facility with Credit Suisse International, taking advantage of historically high silver prices to lock in a strong sales margin for approximately 50 per cent of its silver production over the next 12 months and unlock additional up-front cash to accelerate exploration.

Alcyone is currently ramping up silver production from the upgraded Twin Hills heap leach silver operation, part of its recently re-commissioned Texas Silver & Polymetallic Project in SE Queensland, to a targeted annualised rate of 1.5 – 2.0 million ounces per annum following excellent progress in the first four weeks of wet commissioning of the upgraded processing facility. In parallel with this, a major new phase of exploration is also underway within the surrounding 275 sq km Texas Project.

The current historically high silver price has enabled Alcyone to enter into a 12-month Forward Structure and Pre-pay under which it has agreed to sell a total of 700,000oz commencing in January 2012, at an average of A\$33.77/ounce. The facility is fully secured by way of a charge over the Company's assets.

The Pre-pay of an additional 102,000 oz will realise a total of A\$3 million in cash, strengthening the Company's available cash reserves over the next 2-3 months while cash flow from the heap leach operation continues to ramp up. Alcyone will commence building a strong cash flow as commercial ramp-up is completed this Quarter which, when combined with the Pre-pay, will enable the Company to continue its aggressive exploration activities

As a result of the Company's strong operational performance since commissioning, Credit Suisse has also presented a proposal to Alcyone that would potentially provide the Company with access to a broader Line of Credit facility.

This proposal, which is still subject to normal due diligence and a formal approvals process, would provide the Company with the ability to move forward rapidly on any expansion or acquisition plans that may arise in the near term as a result of the current market conditions.

Further details on the proposed facility will be provided to the market in the event that negotiations are finalised.

## Operations Update

Mining of high-grade ore commenced in the Twin Hills open pit at the end of September and has already reached full production rates. This early ore is free-digging material which has already been blasted. Drilling and blasting activities are expected to start later this month. High grade Run-Of-Mine stockpiles are already under construction and will provide a reliable feed source for the processing facility as waste production is established late in the Quarter.

The ramp up of the processing facility to full commercial production rates has been progressing well. The crushing circuit has exceeded an average of 180 tonnes per hour (TPH) compared with a design capacity of 140 to 150 TPH. Different material blends are being trialled to assess their impact on performance however, peak production rates of over 200TPH have been achieved on some shifts. The Merrill Crowe circuit continues to perform at or above expectations.

The first high-grade heap leach cells are currently under irrigation with silver production from these cells anticipated later this month as the heaps reach equilibrium. The historical heaps continue to leach and have already produced over 270,000oz, significantly exceeding the original expectations.

As announced in the September Quarterly Report, the Company has recently re-commenced an aggressive exploration program across its highly prospective 275 sq km tenement package at Texas, with two drill rigs already operational on site, targeting both regional silver and base metal targets as well as undertaking grade control drilling at the main Twin Hills deposit.

Alcyone Resources' Managing Director, Andrew King, said the pre-paid silver and forward transaction provides a solid floor to the Company's first 12 months of operation, thus underpinning Alcyone's solid operating margin while still delivering significant leverage to the silver price in the future.

"This has the triple benefit of locking in a guaranteed return on approximately half of our forecast production for the 2012 calendar year and covering more than 100% of our forecast operating costs, providing us with \$3 million in additional cash up-front while our cash flow profile is building, and preserving significant exposure to the upside in the silver price for the remaining reserves," Mr King said.

"That puts us in a strong position both operationally and financially, providing the platform to further increase exploration and drilling activities at Texas," he added.

"With production now ramping up at Twin Hills, we have been assessing a number of new opportunities in the silver and base metals space, and we want to be appropriately positioned to capitalise on any opportunities that emerge," he added.

## ENDS

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## About Alcyone

*Alcyone Resources Limited (ASX Ticker: AYN) is an Australian-based resource company focused on the re-development of the Twin Hills Silver Mine, located south-west of Brisbane near the town of Texas in south-east Queensland.*

*Following a broad-based economic and technical review of the Twin Hills mine in late 2010, Alcyone commenced early silver production based on the re-irrigation of the existing silver-rich heaps at Twin Hills and delivered its first silver bullion in June 2011.*

*The leach pads at Twin Hills contain an estimated 400,000 tonnes of material from the previous operation which has only been partially leached. Re-irrigation of this material has enabled Alcyone to demonstrate the viability of the leaching process before moving to full-scale commercial silver production later this year, while at the same time generating initial cash flow.*

*The Company has successfully commissioned the upgraded processing facility and is now ramping up to full-scale commercial silver extraction at the initial rate of 1.5-2.0 million ounces of silver per annum by the end of December 2011.*

*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 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 Bill Frazer who is a Member of the Australasian Institute of Mining and Metallurgy and Director of Mining One Pty Ltd a mining and geotechnical consultancy.*

*Mr Frazer is a mining engineer with over 30 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 Frazer 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.*