

24 October, 2011

Silver Swan Group Limited September 2011 Quarterly Activities Report

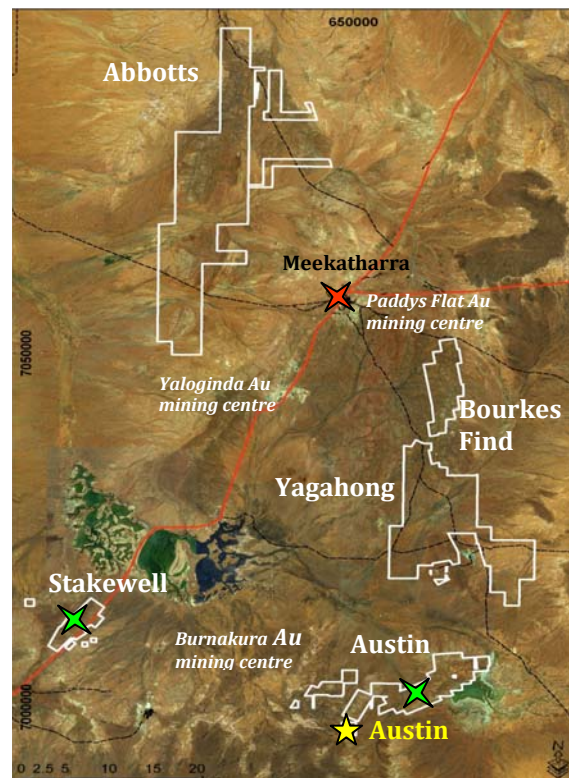
HIGHLIGHTS

- **Highly encouraging oxide gold mineralisation intersected at the Stakewell gold project.**
 - **Three additional locations with potential for oxide gold mineralisation have been identified.**
 - **RC drilling underway at Stakewell on both oxide and high-grade gold targets.**
- **Several interlinking electromagnetic conductors located at the Flinders and Murchison Wonder VMS prospects within the Quinns VMS project.**
 - **7 pre-collar RC holes completed and diamond drilling currently in progress to intersect the conductor plates at the Flinders and Murchison Wonder prospects.**
- **\$5.26 million capital raising completed to accelerate exploration of high-priority targets at both the Stakewell gold project and the Quinns VMS project.**

Silver Swan Limited (“Silver Swan” or “the Company”) is focused on exploration for additional volcanogenic massive sulphide (copper-zinc) deposits at its Quinns VMS project which hosts the Austin deposit and concurrently for high-grade and oxide lode gold at its Stakewell gold project. Both areas are located about 55km south and southwest of Meekatharra respectively.

In the September Quarter, the Company completed:

- An 11 hole reverse circulation drill programme at Stakewell testing new oxide positions and depth continuity of gold mineralisation.
- Completed a large programme of fixed loop and downhole electromagnetic surveys and
- 4 RC drillholes and 7 RC pre-collars at the Flinders, Flinders South and Murchison Wonder prospects at the Quinns VMS project. Diamond drilling is currently in progress testing a series of geophysical conductors.



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Stakewell Gold Project **Lode-gold mineralisation**

Stakewell is located 50km south of Meekatharra along the Great Northern Highway. Silver Swan has drilled 11 reverse circulation holes for a total of 878 metres to follow-up on high-grade gold intersections at the historic Kohinoor open-pit and underground gold mine and commenced drill-testing the first of 4 oxide targets to the east of the Kohinoor open-pit.

The near-surface oxide gold targets are associated with northwest-southeast -trending quartz veins in fault arrays within amphibolite host rocks. Four potential oxide gold targets have been identified; the first oxide target has been drilled successfully and drilling continues.

Results from the drilling are as follows:

Stakewell Results							
Hole ID	East	North	Azimuth	Dip	From (m)	Interval (m)	Au g/t
11SWRC006	617474	7010718	015	-60	70	1	1.3
11SWRC008	617570	7010835	160	-60	25	2	1.5
11SWRC009	617559	7010845	160	-60	71	3	1.8
11SWRC013	618070	7010915	050	-55	17	1	1.6
					21	1	1.1
11SWRC014	618089	7010899	050	-55	5	21	1.6
					Incl. 5	18	3.0
					20	1	1.9
					25	1	1.9
11SWRC015	618110	7010883	050	-55	20	1	1.5
					23	1	1.4
11SWRC016	618060	7010903	050	-55	50	1	1.2
					65	1	1.8
					71	1	2.4
11SWD002*	617519	7010586	010	-60	259	10	3.2
					Incl. 259	5	5.3
11SWD003*	617477	7010732	010	-50	17	1	6.3
					34	7	5.8
					Incl. 34	4	9.9
11SWD005*	617606	7010803	025	-70	10	2	4.1
					22	8	5.7
					Incl. 22	5	8.6

**Previously announced results*

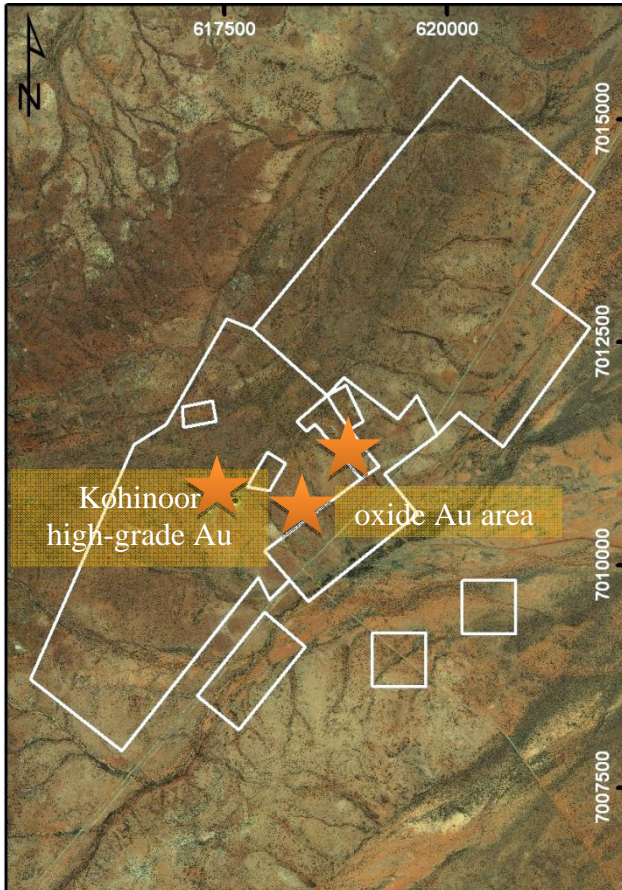
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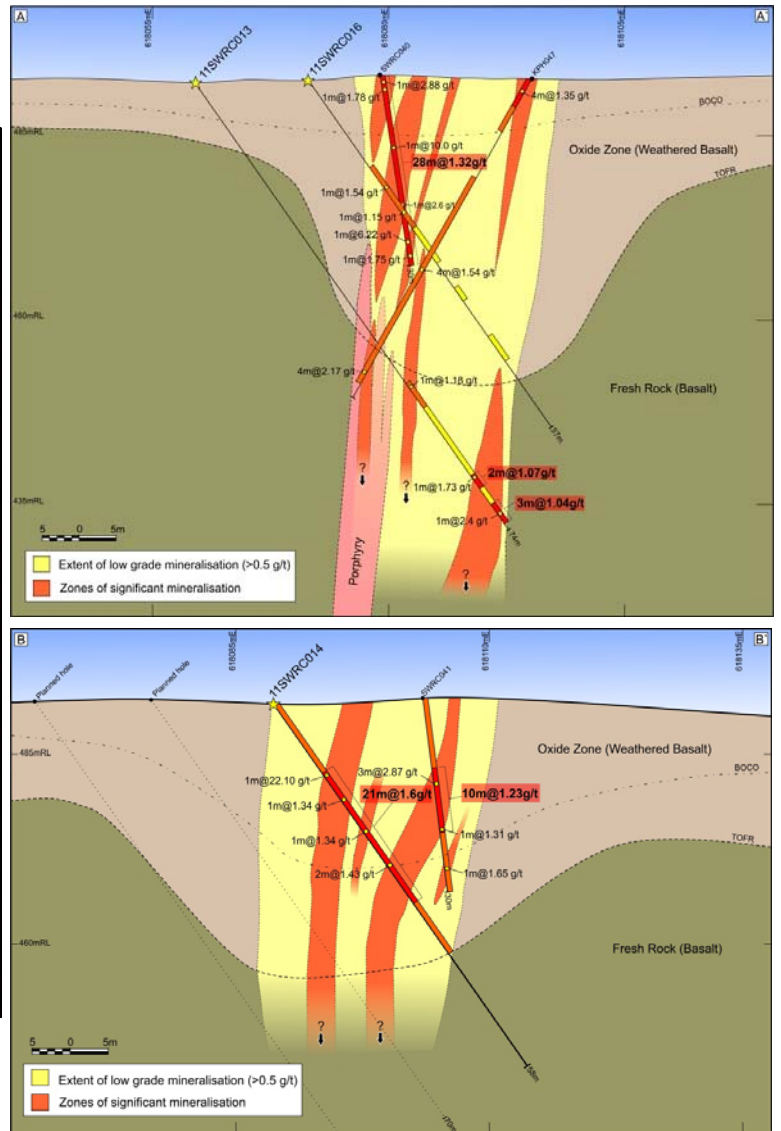
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The Stakewell tenement area showing the high-grade gold target at Kohinoor and the oxide targets to the east.

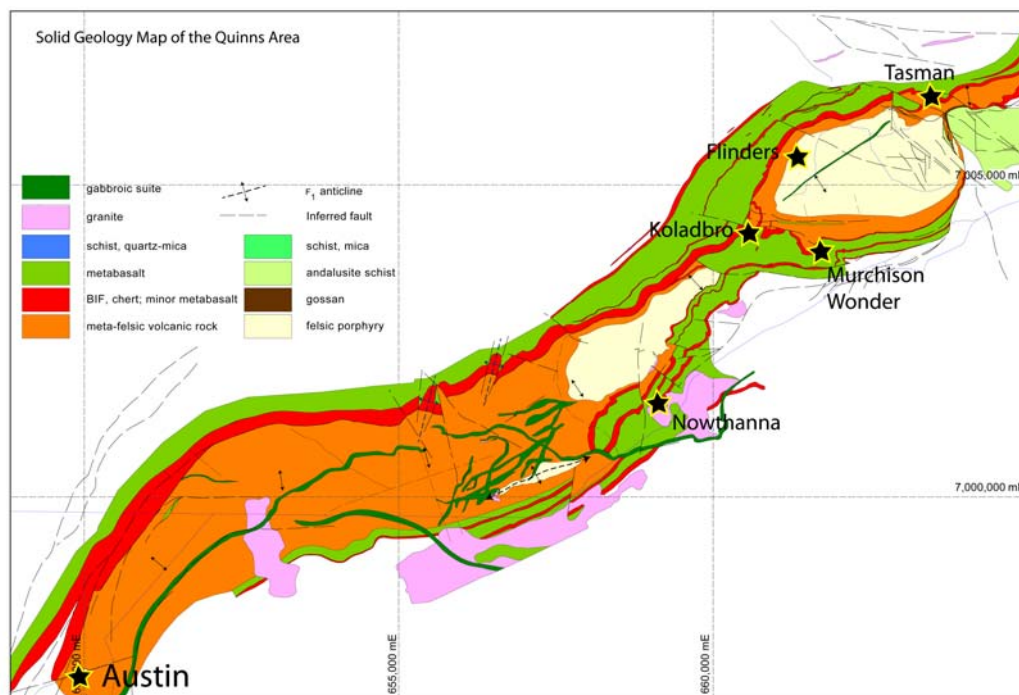


Cross-sections of the first of four oxide gold targets being tested at Stakewell. Gold mineralisation is hosted by cross-cutting quartz veins within amphibolite. These veins are being tested for depth continuity into the primary zone.

Quinns Project **Volcanogenic massive sulphide mineralisation**

Quinns is located 55km south of Meekatharra covering a tenement area of ~45km². Silver Swan discovered the Austin volcanogenic massive sulphide (VMS) deposit in the Quinns project area and subsequently defined a JORC Resource of 1.48Mt @ 1.02%Cu, 10.39% Zn, 0.24g/t Ag and 3.31g/t Au.

There is ~25km of strike with potential for VMS mineralisation at two stratigraphic levels. Globally, VMS deposits vary in size, are generally high grade and are mostly found in clusters within regions. The style of the Austin VMS discovery at Quinns and the highly favourable rock chemistry across the greater Quinns region underpins the Company's search for additional VMS deposits within its highly prospective landholding in the region.



Flinders and Murchison Wonder Prospects, Quinns VMS Project

The **Flinders** prospect is located in the northern part of the Quinns VMS Project area. This is a lateral position to the Tasman prospect where drilling intersected 6.0m at 3.0% Zn. The Flinders prospect has a surface expression with a large (100m x 30m) gossanous and ferruginous outcrop known as the Flinders Gossan and structural elements indicating a plunge shallowly to the west.

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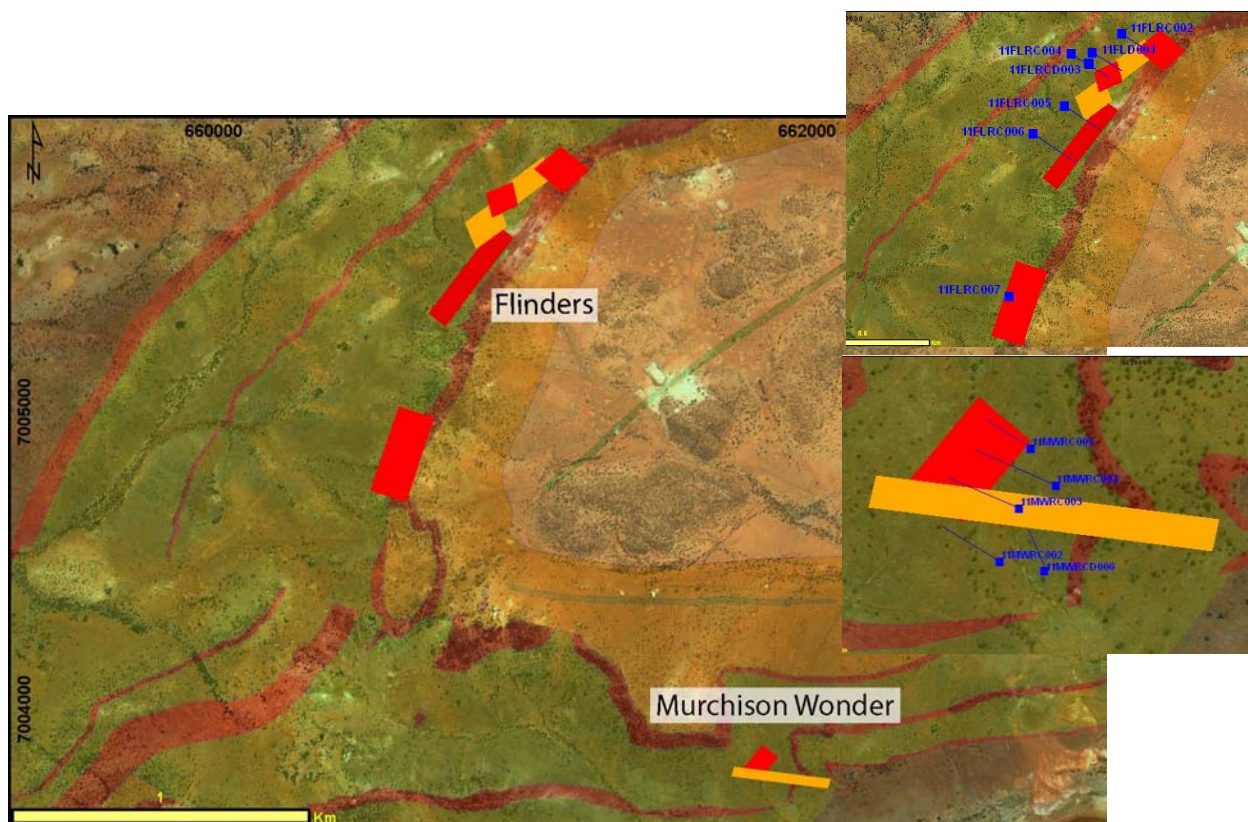
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During the quarter, Silver Swan drilled one diamond and one reverse circulation hole into the Flinders area and followed up with fixed loop and downhole electromagnetics. These surveys resulted in the identification of a series of strong linking conductor plates over 500m of strike, along with 30m of intense alteration and a 12m wide zone of sulphide mineralisation in 11FLD001. An additional conductor was located a further kilometre to the southeast.

Six reverse circulation pre-collar drillholes have been completed and diamond drilling is in progress to extend these holes at depth through the electromagnetic targets.

A fixed loop electromagnetic survey at the **Murchison Wonder** prospect returned a strong conductor plate dipping south and plunging east. An initial reverse circulation hole has returned 1m @ 5.3% Zn, 9g/t Ag, 0.2% Cu, 1m @ 2.7% Zn, 6g/t Ag and 1m @ 0.7% Zn and 4g/t Au from 131m. Subsequent downhole electromagnetics has re-directed the drilling with an off-hole conductor and drilling is in progress.

Three reverse circulation holes and one RC pre-collar have been drilled at Murchison Wonder. The pre-collar hole will be completed with a diamond 'tail' during the next Quarter as part of the current drilling



programme. Results of the other reverse circulation holes are awaited.

Corporate

Silver Swan has received shareholder approval and completed the capital raising of \$5 million through the placement of 50 million shares at an issue price of \$0.10 cents per share to sophisticated and professional investors (Placement). A further \$260,000 was raised via a share purchase plan (SPP) at the same price as the Placement.

The funds raised are being used to continue exploration activity at Silver Swan's Quinns VMS Project and Stakewell Gold Project, and for general working capital purposes.

Activities for the Quarter to December 2011

- Stakewell:
1. RC drill-testing high-grade intersections from the last programme
 2. Drill-testing oxide gold targets
 3. RC drilling other fault-controlled locations for gold potential
- Quinns:
1. RC and diamond drilling to test DHEM and FLEM conductors at the Flinders and Murchison Wonder prospects.
 2. Re-visiting the Austin deposit to determine the potential for stacked sulphide lenses to the east and west of the current massive sulphide mineralisation and potential for enlargement of the orebody in terms of both width and depth. Structural work at Austin has shown copper mineralisation to have been in part, remobilised into the hinge zones of folds, resulting in higher grades of copper where these hinges are intersected and high-grade zinc mineralisation at the uppermost contact of mineralisation with a quartz-magnetite cap.
 3. Review and drill planning for the Austin and Robert prospects
 4. Completion of detailed mapping and integration of the latest geochemistry
 5. Continuation of hand-held XRF data collection as part of extending regional geochemistry and alteration vectors
- Bourkes Find:
1. Drilling proposals for Bourkes Reward East
- Abbotts:
1. Regional reconnaissance and geochemical sampling



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Information in this report that relates to Exploration Results is based on information compiled by S. Vearncombe, RPGeo, who is a Member of the Australian Institute of Geoscientists. S. Vearncombe is a full-time employee of Silver Swan Group and has sufficient experience which is relevant to the styles of mineralization and types of deposit under consideration and to the activity which she is 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'. S. Vearncombe consents to the inclusion in the report of the matters based on her information in the form and context in which it appears.

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