ASX:SWN
3 October 2011

Silver Swan Drilling Update

Stakewell Gold Project

- **Highly encouraging oxide gold mineralisation identified east of the historic Kohinoor open pit gold mine at the Stakewell gold project. Three additional locations with potential for oxide gold mineralisation have been identified.**
- **RC drilling to re-commence at Stakewell next week to follow up on both oxide and high-grade mineralisation.**

Quinns VMS Project

- **Diamond drilling to commence at the Quinns VMS project next week focusing on two high priority prospects (Flinders & Murchison Wonder).**
- **3 RC holes completed at Murchison Wonder and 1 holes at Flinders SW – results pending; down-hole geophysics commenced.**

Silver Swan Group Limited ("Silver Swan" "SWN" or "the Company") is pleased to report progress of its recent exploration drilling activities at the Stakewell gold project and the Quinns VMS project in the Murchison province of Western Australia and to advise that it expects to re-commence drilling activities on both projects next week.

The recent round of drilling at Stakewell has returned encouraging gold mineralisation in 7 of 11 holes drilled, and will now be followed up by deeper drilling to target higher grade mineralisation.

During September, reverse circulation (RC) drilling saw a total of 2,279m completed, comprising

- 11 holes at Stakewell
- 3 holes and 1 pre-collar at the Murchison Wonder prospect (Quinns)
- 1 hole at Flinders SW (Quinns) and
- 6 pre-collar holes at Flinders (Quinns) in readiness for a diamond drilling programme which will extend these holes up to ~450m depth to intersect target positions.

Drilling re-commences next week with RC drilling at the Stakewell gold project and diamond drilling at the Flinders and Murchison Wonder prospects.

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Stakewell Gold Project

During the first quarter of the year, Silver Swan (SWN) drilled 5 diamond holes in the area surrounding the historic Kohinoor open cut and underground gold mine. Following receipt of high-grade gold results, Silver Swan completed detailed structural mapping to assist in targeting other nearby areas that may host gold mineralisation, which has resulted in the identification of 4 potential oxide gold zones to the east of the Kohinoor area (Figure 1).

Gold mineralisation at the Kohinoor open-cut is controlled by the intersection of banded iron formation (BIF) with high-angle cross-cutting faults and a wide zone of shearing in basaltic rocks. This has resulted in the formation of steeply plunging high-grade gold shoots.

The new zones to the east of the Kohinoor area identified by Silver Swan have quartz veining associated with high-angle faults which have potential to host high-grade mineralisation. These will be tested by the next round of RC drilling. Four oxide gold targets have been delineated (Figure 1).

During September, seven holes were drilled in the Kohinoor area with an additional four holes drilled into the first of 4 possible oxide gold targets (Figure 1). Encouragingly, gold mineralisation has been intersected in 7 of 11 holes drilled so far and further RC drilling is due to commence next week. A plan map (Figure 4) and three cross-sections (Figure 5 A & B) of the drilling into Area 2 are shown in Appendix 1.

Results include:

- 21m @ 1.6g/t (11SWRC014)
- 1m @ 1.2g/t, 1m @ 1.8g/t, 1m @ 2.4g/t (11SWRC016)
- 1m @ 2.4g/t (11SWRC008)
- 3m @ 1.8g/t (11SWRC009)

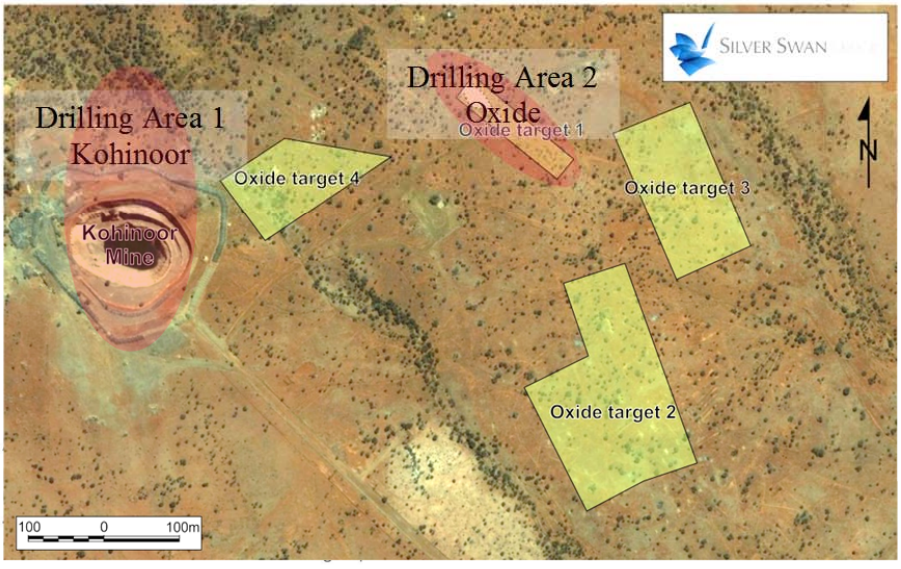

Figure 1. Plan map of part of Stakewell showing the area of drilling at Kohinoor and the oxide gold targets to the east. SWN has drilled 7 holes into drilling area 1 (Kohinoor) and 4 holes into drilling area 2 (oxide gold target).

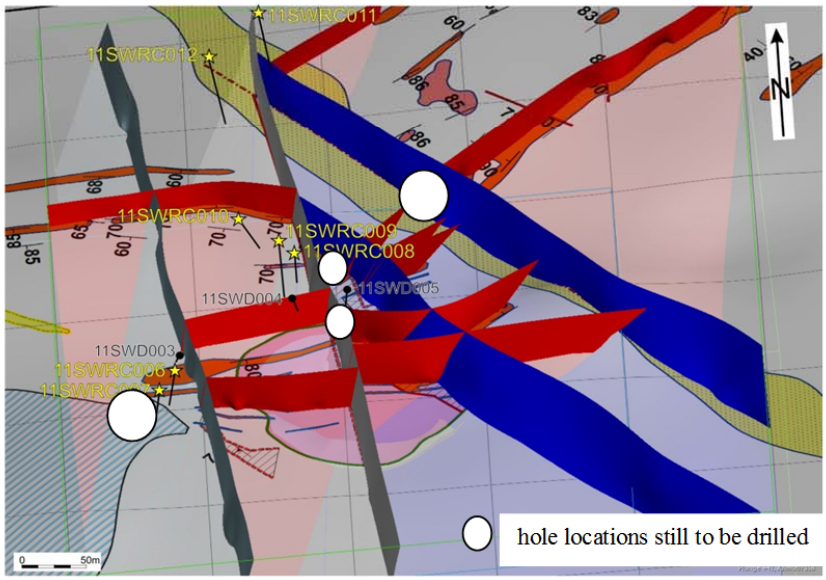

Figure 2. Plan map of Kohinoor showing holes drilled (in yellow) and holes yet to be drilled (white circles).

Quinns

At the Quinns VMS project, Silver Swan has identified several high-priority VMS targets, namely Flinders and Murchison Wonder, located within the northern part of the Quinns project area (Figure 3).

The first diamond hole at Flinders (11FLD001) drilled during the previous quarter, intersected a 12m wide zone of sulphide mineralisation and 30m of intense hydrothermal alteration. Multiple conductors were identified from surface fixed loop and downhole electromagnetic surveys at both Flinders and Murchison Wonder.

The intensity of alteration and the presence of course magnetite suggests close proximity to potentially high-grade massive sulphides (as was the case at Silver Swan's nearby Austin VMS deposit).

During September, 6 RC pre-collars have been completed at Flinders and 1 RC hole has been drilled through a weak conductor to the SW of Flinders. Silver Swan will now commence diamond drilling to extend these holes for a further ~450m to reach their target positions (Figure 6, Appendix 1), and this will commence next week.

At Murchison Wonder, 783m of RC drilling has been completed, with an additional 110m still to be drilled with a diamond tail (Figure 7, Appendix 1). Assay results from the RC drilling on the three completed holes are pending. Drilling will test copper-zinc potential at depth and the holes will be drilled to between 350m-450m depth.

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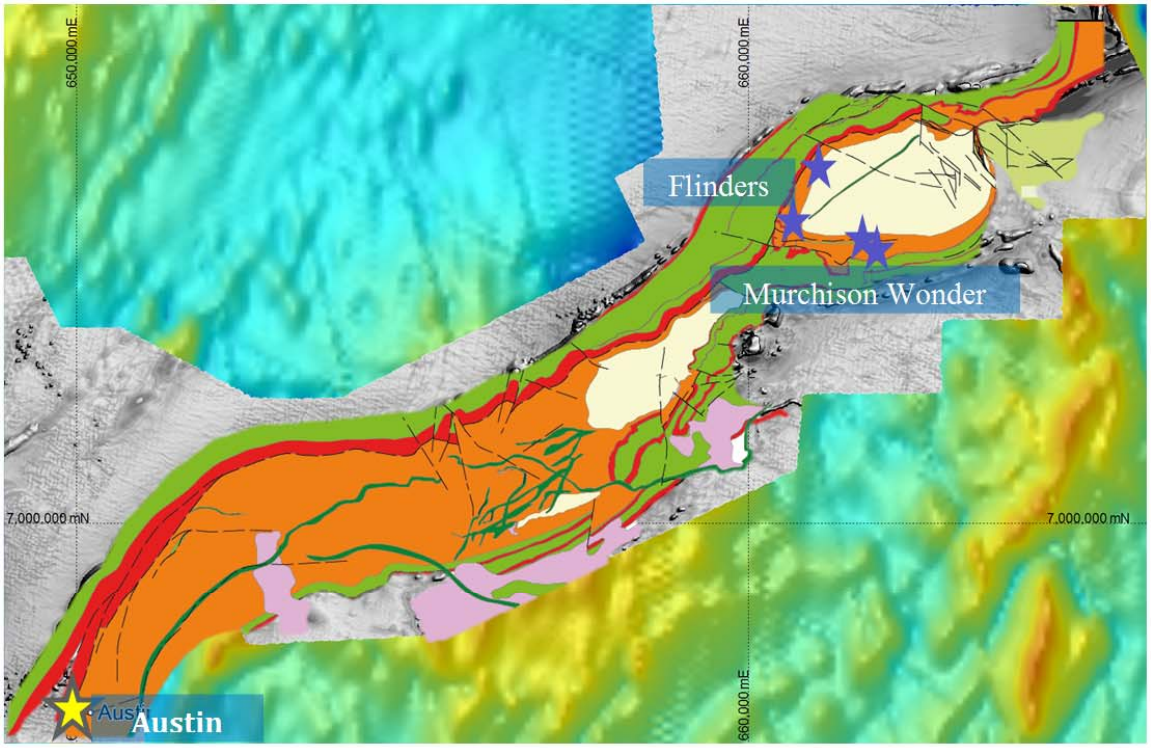
Figure 3. Location map of the prospect areas in the northern part of the Quinns area.



Summary: The company is encouraged by the drilling results received so far from the latest programme at Stakewell, where multiple gold hits have provided encouragement for follow-up drilling at depth and of nearby targets. Further drilling is due to commence shortly. Meanwhile at Quinns, drilling is continuing at both the Flinders and Murchison Wonder prospects targeting VMS mineralisation. The results of this work will be released as soon as they are available.

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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 style of mineralisation and type 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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ABOUT SILVER SWAN

Silver Swan Group Limited is a polymetallic explorer with tenements in the Murchison Province of the Yilgarn Craton, Western Australia. The Company's current focus is on lode-gold, syn-tectonic copper-gold and volcanogenic massive sulphide (Cu-Zn-Ag-Au) mineralisation in Archaean terranes.

The Company's recent emphasis with geophysics and diamond drilling has been on volcanogenic massive copper-zinc-silver-gold mineralisation at the Quinns VMS Project and lode-gold at Stakewell Gold Project, both of which are 100% owned by the company.

In the Meekatharra area, much of the early historic production of the late 1800's came from Silver Swan's tenement area at Stakewell (the Kohinoor open pit), Abbotts (Mt Vranizan and New Murchison King) and Quinns (Kaladbro, Cornstalk, Parramatta, Nowthanna, Murchison Wonder, Wallaby, Nuggety and Olympic). These areas have received only limited modern exploration despite the proximity to producing gold mines at Bluebird-Yaloginda and Gabanintha.

APPENDIX 1

Figure 3. Plan map of RC drilling into the first of **four** oxide gold targets (oxide target 1) at Stakewell. Four drillholes completed with results presented and the planned holes that will be drilled in the first week of October are shown below.

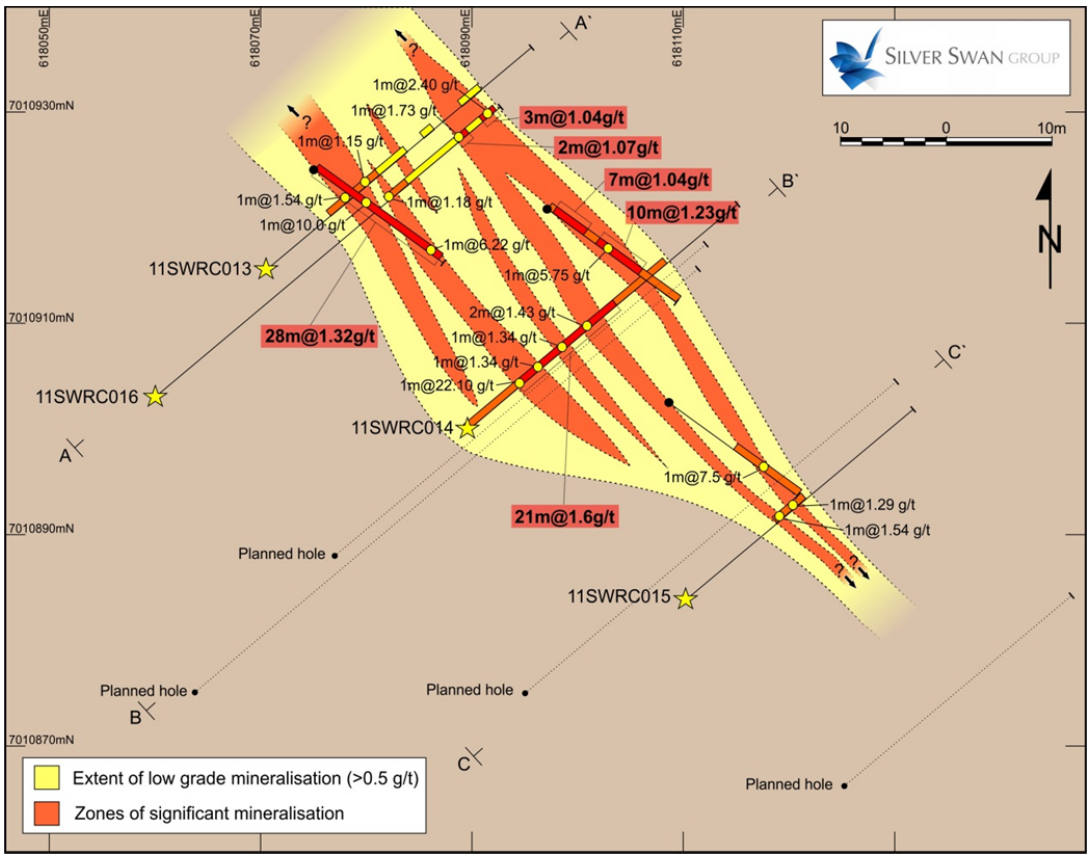

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Figure 4. Cross-sections (3) showing the three drill fences designated A-A[1], B-B[1] on the plan map (Figure 3) and associated gold intersections. The area is interpreted to represent a fault jog where the zones of mineralisation broaden. Three similar areas (Figure 2) are yet to be tested.

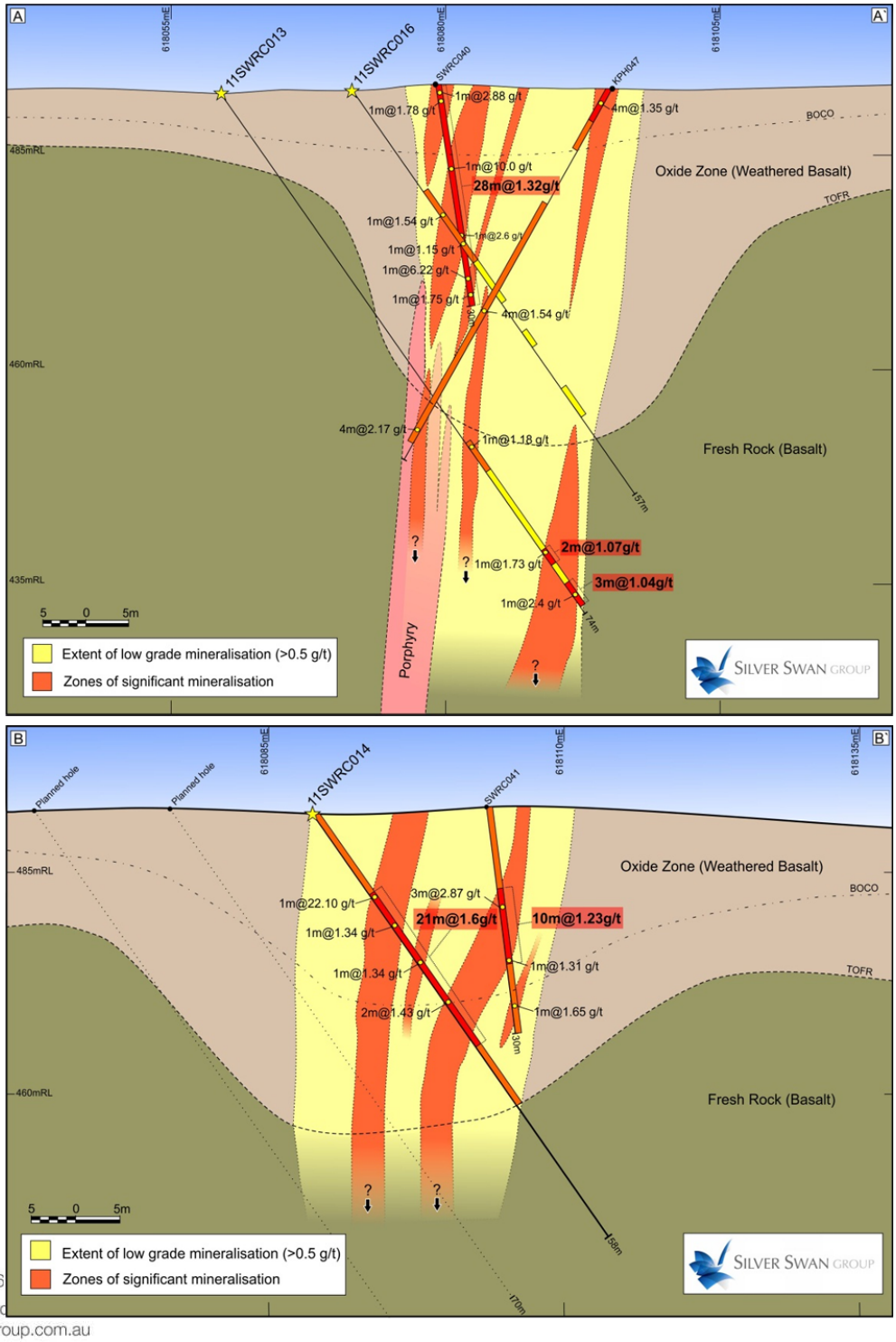

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Figure 5. Drilling locations at Murchison Wonder. 11MWRCD006 is a pre-collar; the diamond tail will be drilled to ~250m. Results are awaited for holes 11MWRC002, 004, 005.

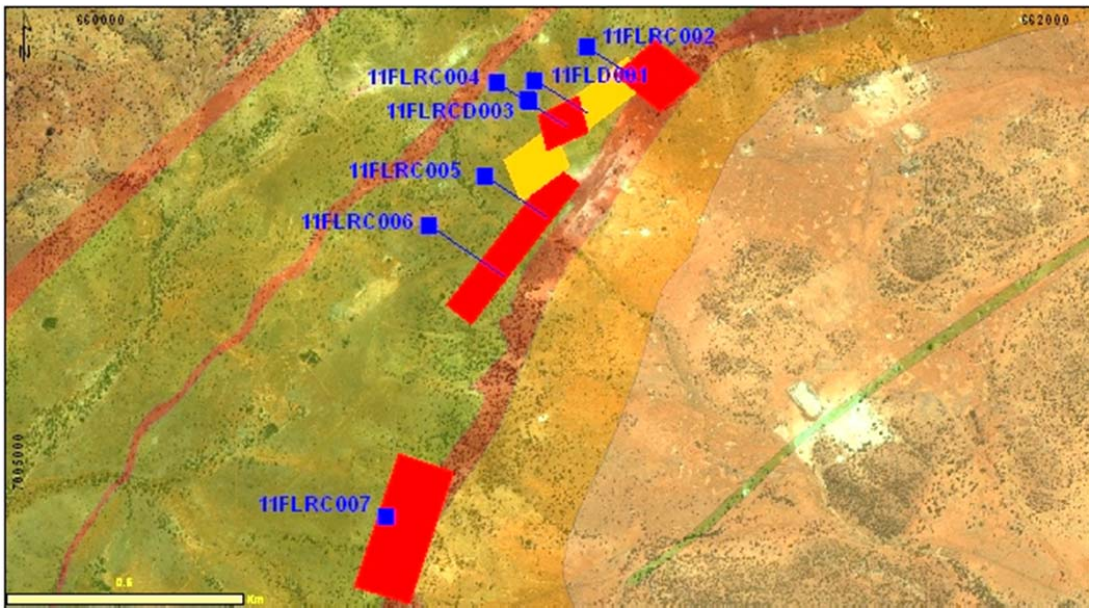
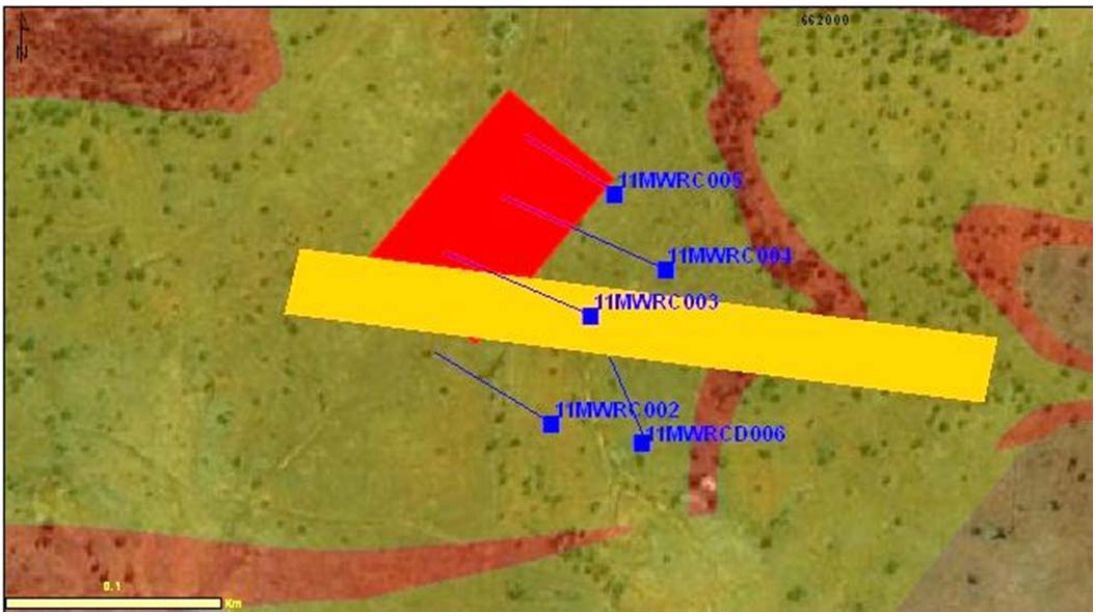


Figure 6. Drilling locations at Flinders and Flinders South. Results are awaited for 11FLRC007. Holes 11FLRCD003 to 006 are RC pre-collars and diamond drilling will commence next week.



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Hole ID	Collar Easting	Collar Northing	Depth	Azimuth	Dip
11SWRC006	617474	7010718	94	015	60
11SWRC007	617461	7010700	103	015	60
11SWRC008	617570	7010835	92	160	60
11SWRC009	617559	7010845	104	160	60
11SWRC010	617530	7010865	89	050	60
11SWRC011	617559	7011083	64	140	60
11SWRC012	617520	7011067	95	140	60
11SWRC013	618070	7010915	57	050	55
11SWRC014	618089	7010899	58	050	55
11SWRC015	618110	7010883	49	050	55
11SWRC016	618060	7010903	74	050	55

- 11SWRC013: 1m @ 1.6g/t (17-18m), 1m @ 1.1g/t (21-22m) (11m @ 0.7g/t – 14-25m)
- 11SWRC014: 8m @ 3.04g/t (5-13m) incl. 1m @ 22.3g/t (11-12m); 1m@1.93g/t (20-21m) & 1m@1.86g/t (25-26m); or 21m @ 1.6g/t (5-26m)
- 11SWRC015: 1m @ 1.5g/t (20-21m), 1m @ 1.4g/t (23-24m)
- 11SWRC016: 1m @ 1.2g/t (50-51m), 1m @ 1.8g/t (65-66m), 1m @ 2.4g/t (71-72m)
- 11SWRC006: 1m @ 1.3g/t (70-71m)
- 11SWRC008: 2m @ 1.5g/t incl.1m @ 2.4g/t (25-27m); 1m @ 1.0g/t
- 11SWRC009: 3m @ 1.8g/t (71-73m)

All holes have elevated sub-1g/t Au between intersections.

- 11SWRC010: NSR
- 11SWRC011: NSR
- 11SWRC012: NSR

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