

31 January, 2012



## Silver Swan Group Limited

### December 2011 Quarterly Activities Report

#### HIGHLIGHTS

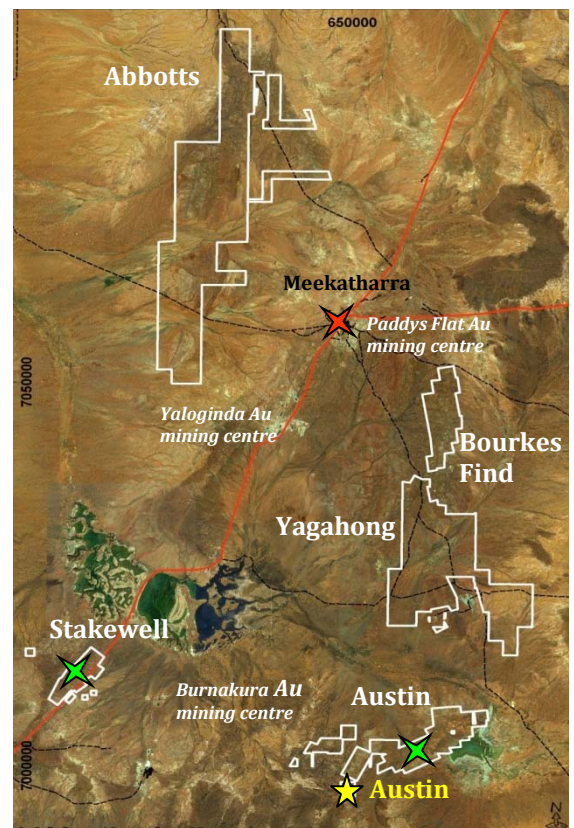
**STAKEWELL Gold Project:** Drilling intersected high- and low-grade gold mineralisation at Kohinoor, including surface oxide targets. Best results comprise **4m @ 6.3g/t Au** (11SWRC022), **17m @ 1.0g/t Au** (11SWRC023), **8m @ 1.0g/t Au** and **2m @ 2.0g/t Au** (11SWRC025).

**FLINDERS VMS:** Drilling intersected VMS mineralisation in six of seven holes completed, with the best result comprising **10 metres @ 4.7% Zn** including **6m @ 7.0% Zn** and **4m @ 0.5% Cu** (11FLRCD003). Drill-hole 11FLRCD007 returned **1m @ 9.1g/t Au**.

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 December Quarter, the Company completed:

- A 13 hole reverse circulation drill programme at Stakewell testing new oxide positions and depth continuity of gold mineralisation;
- a large programme of fixed loop and downhole electromagnetic surveys;
- 5 diamond drill-hole tails at the Flinders and Flinders South prospects at the Quinns VMS project testing a series of geophysical conductors.
- The company has also commenced a substantial multi-element geochemical programme over the Quinns North area and through Drillcore at Austin and Robert.



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## Stakewell Gold Project **Lode-gold mineralisation**

Stakewell is located 50km south of Meekatharra along the Great Northern Highway. Following on from an initial 11 hole RC program reported last quarter, Silver Swan has drilled 13 additional reverse circulation holes for a total of 980 metres to follow-up on high-grade gold intersections at the historic Kohinoor open-pit and underground gold mine and continue drill-testing the first of 4 oxide targets to the east of the Kohinoor open-pit. To date, Silver Swan's drilling programme at the Stakewell Gold Project has drilled a total of 29 holes, comprising 5 diamond holes (836m) and 24 reverse circulation holes (RC: 1,859m) for a total of 2,695m.

Recent RC drill results received include:

- 4m @ 6.3g/t Au from 28m (11SWRC022)
- 8m @ 1.0g/t Au from 38m (11SWRC019)
- 17m @ 1.0g/t Au from 24m (11SWRC023)
- 2m @ 2.0g/t Au from 54m (11SWRC025)

The RC drilling was following up on high-grade gold results from the diamond drilling at the historic Kohinoor mine, conceptual targets north of Kohinoor, and near surface (top 50m) oxide mineralisation southeast of Kohinoor. The high grade diamond drill results previously reported by Silver Swan include:

- 7m @ 5.8g/t Au from 34m, including 4m @ 9.9g/t Au (11SWD003)
- 8m @ 5.7g/t Au from 22m, including 5m @ 8.6g/t Au (11SWD005)
- 9m @ 3.5g/t Au from 256m including 2m @ 8.3g/t Au (11SWD002)

The following diagrams illustrate the targets at Stakewell and the drilling results related to each of the target areas. A table setting out the complete set of results from the drilling at Stakewell is appended to the back of this report.

### Drill hole and target location diagram at Stakewell

Holes reported in the December 2011 quarter are plotted in yellow, previously reported SWN holes are plotted in blue.

Target 1: Follow-up previous high grade (HG) intersections along BIF/fault intersections.

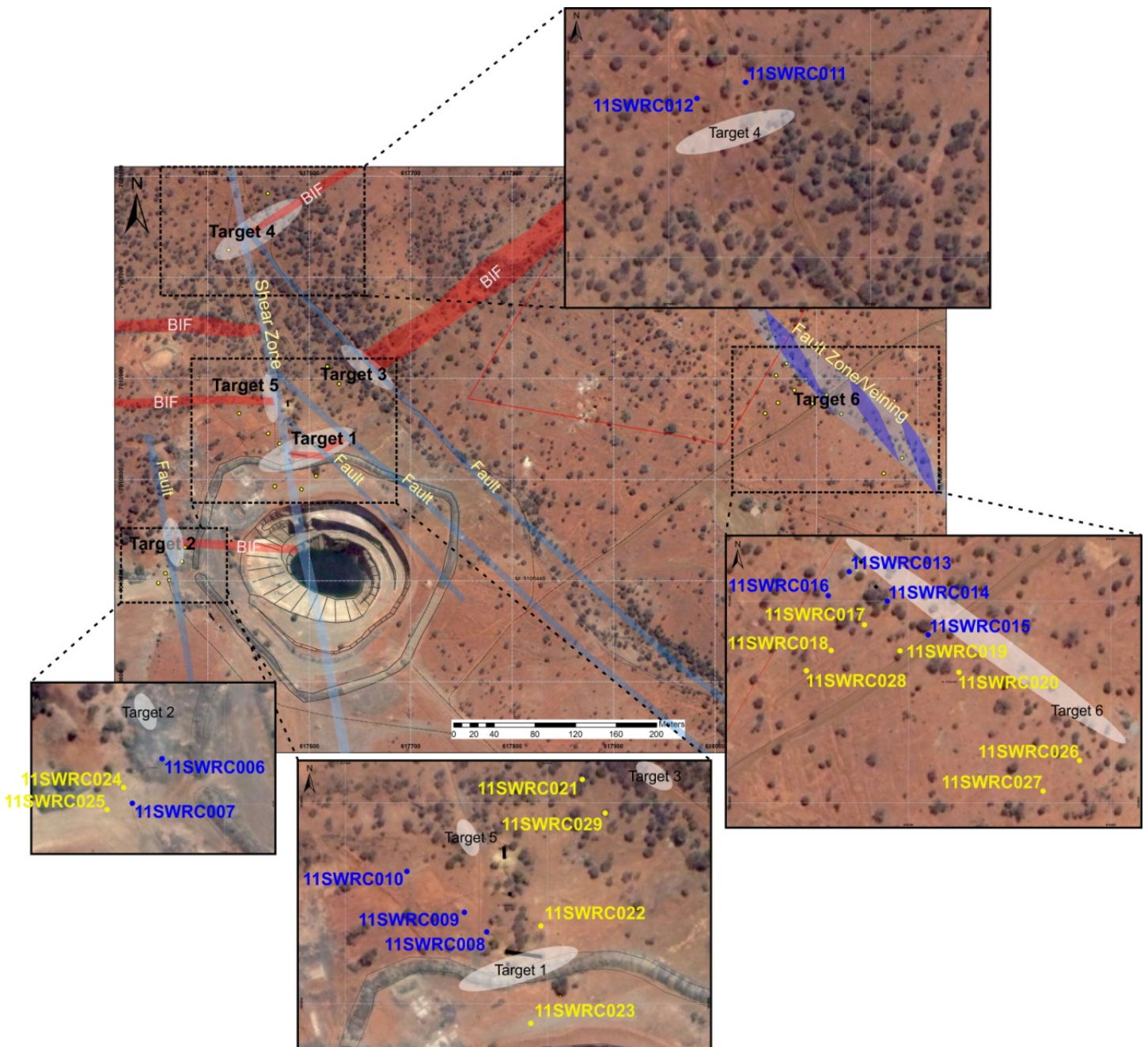
Target 2: Follow-up previous HG shoot intersections.

Target 3: Conceptual BIF/fault intersection target coincident with >50ppb Au soil anomaly.

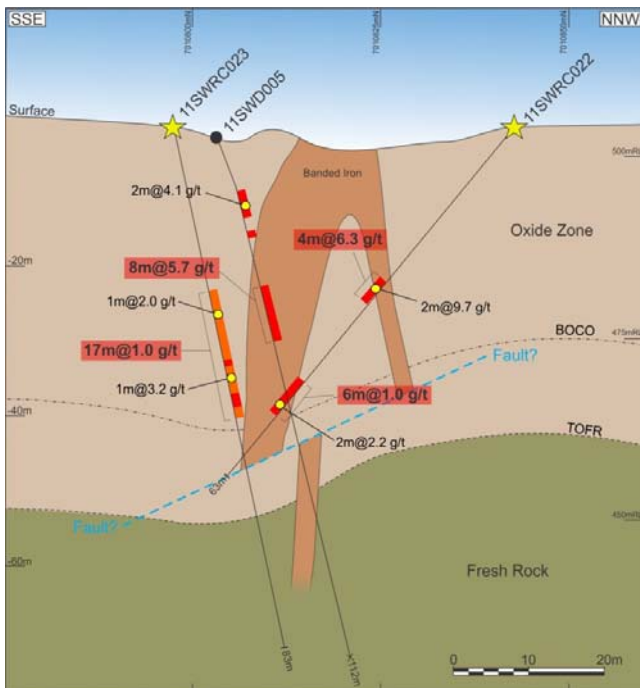
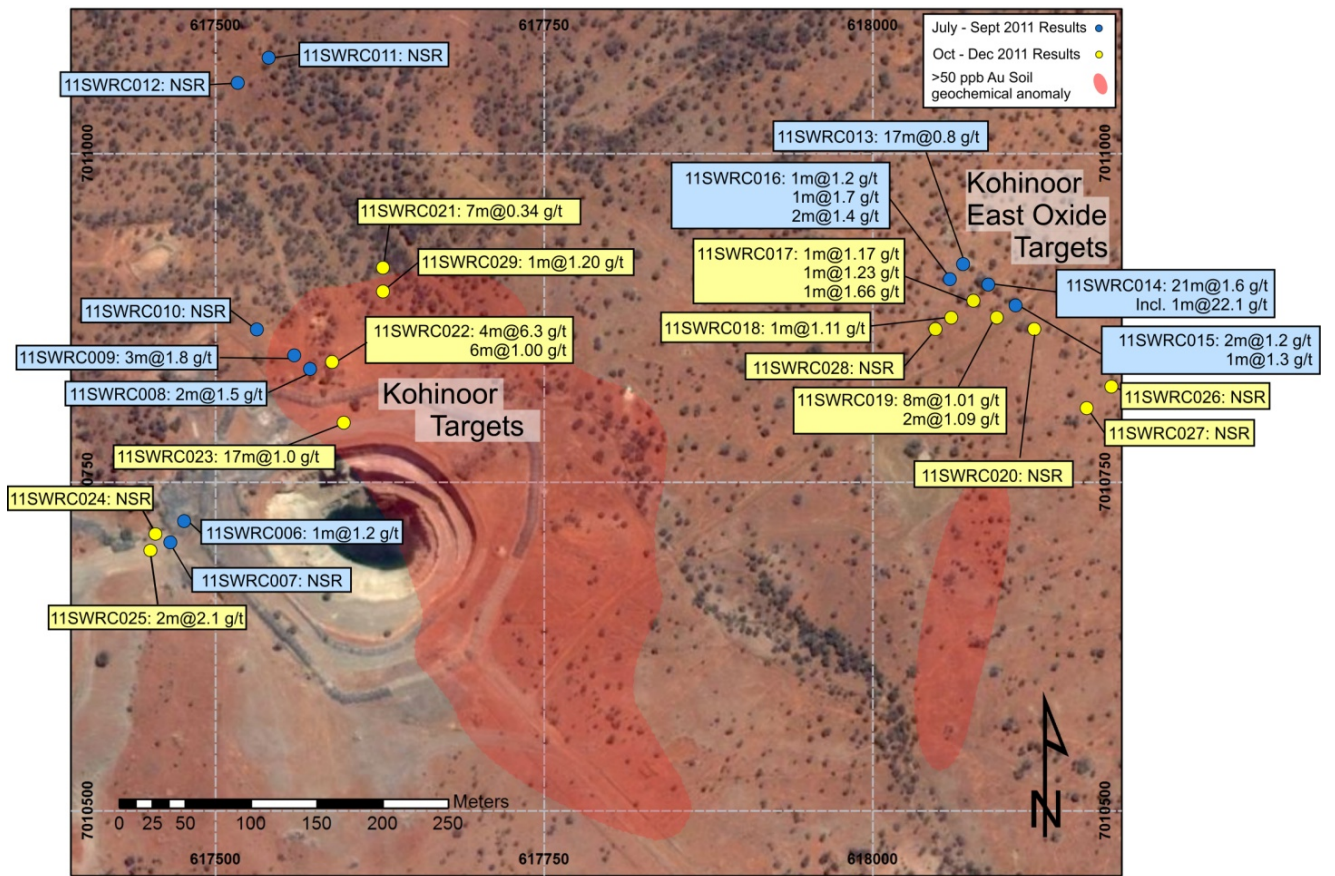
Target 4: Conceptual BIF/fault/shear intersection.

Target 5: Conceptual BIF/fault intersection.

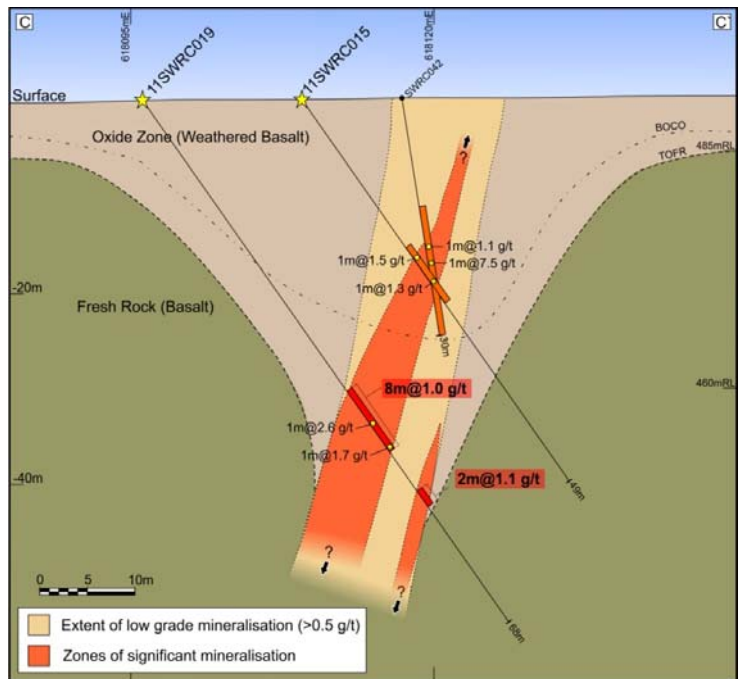
Target 6: Oxide zone amphibolite-hosted fault/vein target. Follow-up on previous broad lower grade oxide intersections with sporadic HG values.



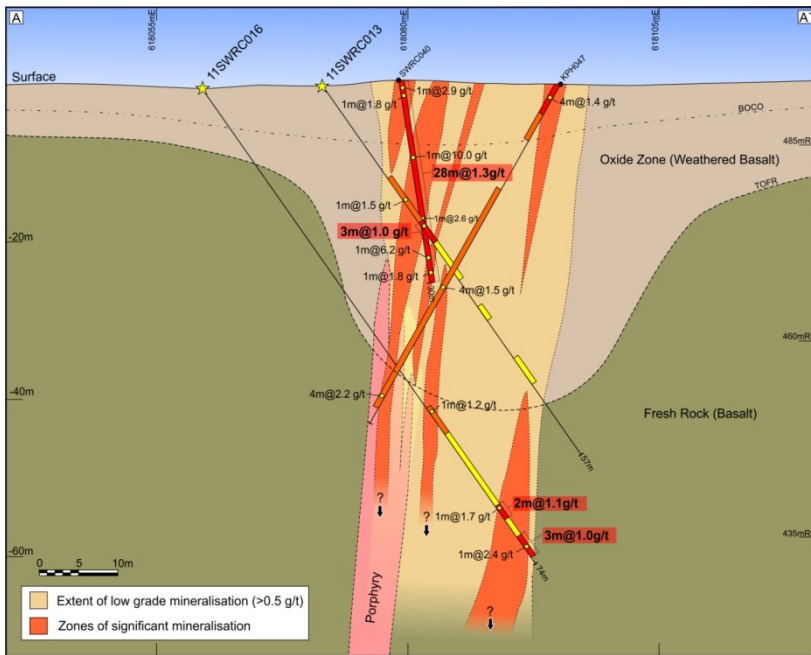
Plan view of December quarter drill holes with significant results (in yellow), and previously reported September quarter drill hole results (in blue).



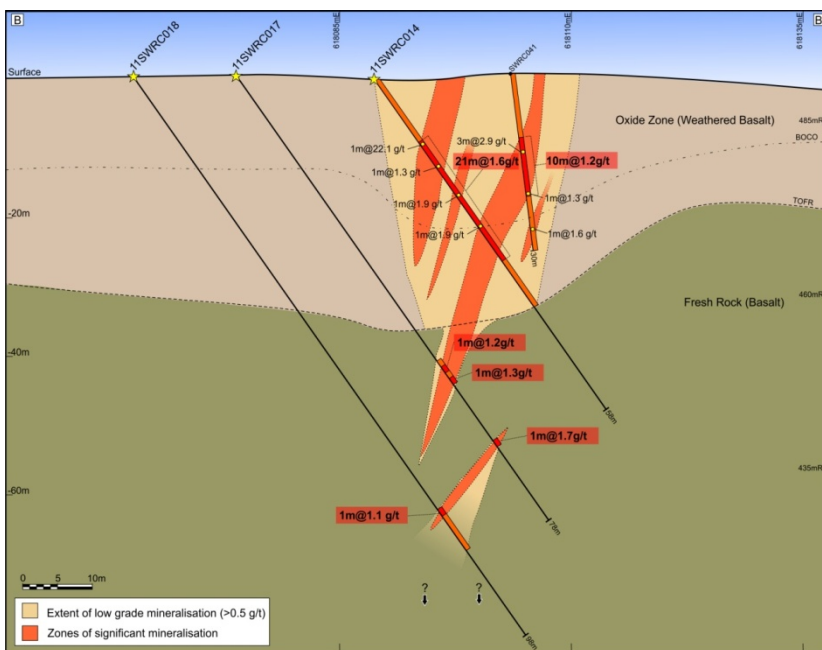
**Cross section view Target 5 drilling:** December quarter holes highlighted with yellow stars.



**Target 6 Eastern-most cross section:** December quarter holes highlighted with yellow stars. Cross section trends SSW-NNE (C-C').



**Target 6 Western-most cross section:** December quarter holes highlighted with yellow stars. Cross section trends SSW-NNE (A-A')

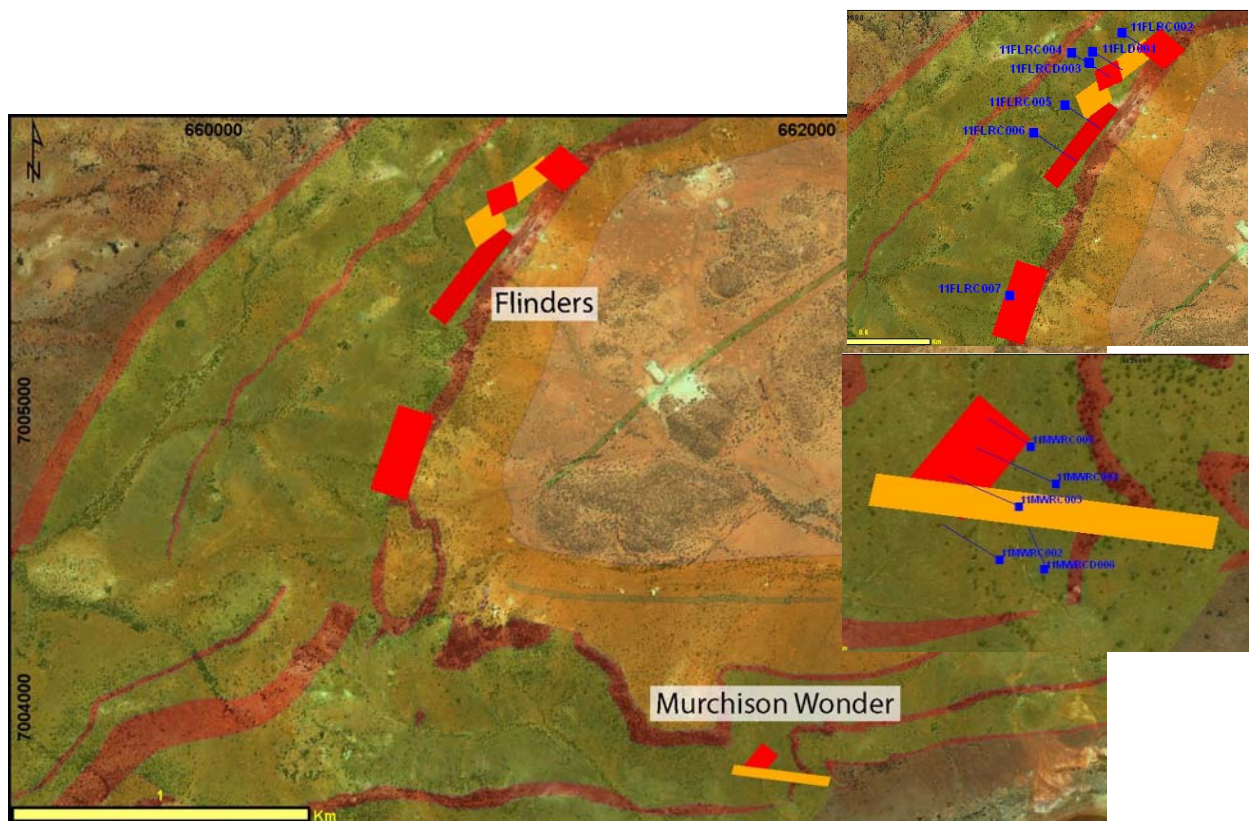


**Target 6 central cross section:** December quarter holes highlighted with yellow stars. Cross section trends SSW.

## Quinns Project Volcanogenic massive sulphide mineralisation

Quinns is located 55km south of Meekatharra covering a tenement area of ~45km<sup>2</sup>. 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.

Silver Swan's drilling programme at the Flinders VMS prospect, located 12km NE of Silver Swan's Austin VMS deposit comprises seven relatively deep holes over a strike of ~1km (one RC and six diamond holes with RC pre-collars) for a total of 2,342m. Mineralised intersections have confirmed a new and persistent VMS cell at Flinders; this is another step toward to identifying a cluster of VMS cells that have now been identified at Austin and Quinns North.



*Fixed loop and downhole electromagnetic conductor plates at Flinders and Murchison Wonder; the areas of red boxes are fixed loop conductor plates, the orange boxes are downhole conductor plates. The insets for both areas show the current drilling locations.*

Recent drill-hole results at Flinders include:

- 10m @ 4.7 % Zn incl. 6m @ 7.0% Zn from 247m (11FLRCD003)
  - 4m @ 0.5% Cu (251-255m) & 1m @1.3% Pb from 248m
- 5m @ 1.3% Zn (333-338m) & 6m @ 0.3% Cu from 336m (11FLRCD004)
- 8m @ 1.2% Zn incl. 1m @ 5.1% Zn from 252m (11FLRCD006)
  - 8m @ 0.3% Cu from 252m
  - 1m @ 1.3g/t Au from 259m
- 1m @ 9.1g/t Au from 85m in the pre-collar of 11FLRCD007

These results occur within zones of intense alteration up to 45m in thickness. A progressive increase in copper mineralisation is observed as drilling has progressed to the southwest. The results are highlighting a new, well mineralised VMS cell at Quinns lending further evidence to a cluster of potential VMS discoveries. It's early days and a significant amount of additional work needs to be done. This includes multi-element geochemistry designed to provide geochemical discrimination over several hydrothermal alteration centres identified earlier in the year from limited sampling. Geochemistry and petrographic results are expected early in the March quarter, with project completion planned for March/April in time to provide specific drill hole targeting information.

### **Alteration Geochemistry**

Silver Swan has been undertaking a detailed alteration geochemistry study of the Quinns area. During the quarter extensive mapping and detailed low-level multi-element surface sampling and drill hole resampling has been completed for a 47 element suite (including: 419 surface rock chip and selected core samples, and 519 drill sample pulps) which will facilitate a district-wide alteration geochemistry model to be integrated with ongoing detailed 3D structural and lithological analysis of the region.

The program will provide: quantitative geochemical discrimination of key lithologies and prospective lithological horizons; quantitative geochemical and mineralogical discrimination of critical alteration assemblages complete with alteration maps & 3D models; petrographic analysis of key mineralogies and detailed analysis and integration of HyLogger hyperspectral mineralogy drill core logs. The findings will be integrated with recent detailed structural and geological mapping and drilling outcomes to produce a series of direct exploration targeting products including alteration gradient maps and models, key VMS exploration drill targeting and priority ranking of the Quinns VMS exploration targets.

### **Abbotts Project**      **Gold and Base Metals Exploration**

During the quarter a detailed field mapping exercise was completed to assess the major layered intrusive complex at Abbotts for the potential to host vanadium, titanium, nickel, platinum group elements and gold.

This assessment indicated that exploration at Abbotts should continue to focus on the gold and copper potential of the felsic volcanics and structural targets within this very large tenement package where numerous, significant gold in soil anomalies remain unexplained. In December a large multi-element surface soil sampling program commenced with 458 surface soils collected during the quarter, along with regolith mapping and rock chip sampling, with the program scheduled to continue into the March quarter, leading into a drill hole targeting program.

## Planned activities for the Quarter to March 2012

### Stakewell:

1. Drill-testing of additional newly identified oxide gold targets
2. Regional assessment of fault-controlled oxide and fresh-rock gold potential based on information gained from recent drilling programs
3. Assessment of portable XRF multi-element dataset collected for holes 11SWRC006-029 to provide alteration geochemistry footprint control for further drill hole and surface exploration of Stakewell.

### Quinns:

1. RC and diamond drilling to further test the significant mineralised intersection in 11FLRCD003 at the Flinders prospect, and a strong off-hole conductor proximal to the mineralised 11MWRC005 hole at Murchison Wonder.
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:

2. Ongoing regional reconnaissance and geochemical sampling leading to drilling proposals

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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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## STAKEWELL DRILLING RESULTS

Stakewell Results								
Hole ID	East	North	Depth (m)	Dip	Azimuth	Interval From (m)	Interval (m)	Au g/t
11SWRC017	618077	7010888	78	-55	050	51	1	1.2
						53	1	1.2
						64	1	1.7
11SWRC018	618060	7010875	98	-55	050	76	1	1.1
11SWRC019	618095	7010875	68	-55	050	38	8	1.0
						Incl. 42	1	2.6
						51	2	1.1
11SWRC020	618124	7010865	58	-55	050	-	-	NSR
11SWRC021	617617	7010912	58	-60	110	-	-	NSR
11SWRC022	617589	7010841	63	-50	155	28	4	6.3
						Incl. 29	2	9.7
						46	6	1.0
						Incl. 49	2	2.2
11SWRC023	617598	7010795	83	-70	040	24	17	1.0
						Incl. 27	1	2.0
						Incl. 34	1	2.2
						Incl. 36	1	3.2
						Incl. 39	2	2.0
11SWRC0024	617458	7010707	98	-55	015	-	-	NSR
11SWRC0025	617451	7010698	111	-60	015	54	2	2.1
11SWRC0026	618049	7010865	58	-55	050	-	-	NSR
11SWRC0027	618184	7010821	68	-55	050	-	-	NSR
11SWRC0028	618166	7010806	66	-55	050	-	-	NSR
11SWRC0029	617628	7010895	73	-60	110	5	1	1.2

NSR = No Significant Result

Note: holes 11SWD001-005 and 11SWRC006-016 which form the first phase of this drilling program were reported in the September Quarterly Report.

## QUINNS NORTH DRILLING RESULTS

Quinns Results (Flinders & Murchison Wonder)									
Hole ID	East	North	Depth (m)	Dip	Azimuth	Interval From (m)	Interval (m)	Zn (%)	Cu (%)
11FLRCD003	660901	7005765	320	-60	118	248	7	6.41	0.3
						Incl. 248	1	8.71	
						Incl. 250	1	9.46	
						Incl. 252	1	8.86	
						249	10		
						Incl. 252	1		
Incl. 254	1								
11FLRCD004	660836	7005803	444	-60	118	333	5	1.25	0.31
						Incl. 337	1	1.89	
						337	6		
						Incl. 340	1		
11FLRCD005	660812	7005604	341	-60	118	215	1	1.22	0.18
						216	1	1.38	
						239	1	3.97	
						215	6		
						216	1		
11FLRCD006	660692	7005498	368	-60	118	252	8	1.22	0.29
						Incl. 257	1	5.07	
						Incl. 254	1		
11FLRCD007	660605	7004881	163	-60	118	49	3	0.12	0.09
						52	16		
11MWRC003	661890	7003772	244	-60	295	135	9	0.85	0.13
						Incl. 137	1	1.53	
						145	3		
						146	4	0.44	
						Incl. 147	1	1.0	
11MWRC004	661925	7003793	225	-60	295	145	3	0.21	0.13
						154	7	0.36	
						154	3		
						159	3		
11MWRC005	661602	7003828	219	-60	295	131	3	2.9	0.16
						Incl. 131	1	5.3	
						Incl. 132	1	2.7	

11FLRC007 also returned a significant gold intersection of 1m @ 9.1 g/t Au (85-86m).

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