

SWN:ASX
02 July 2012

Exploration Update

- ✦ **Auger programme at La Codosera Gold Project in Spain starts this month**
- ✦ **Follow-up diamond drilling at La Codosera planned**
- ✦ **Diamond drilling underway at Quinns North VMS Project**

SUMMARY

La Codosera, Spain

Silver Swan (or “the Company”) has completed its initial geological work at La Codosera gold project. An auger drilling programme is due to commence on 9 July and the Company is currently sourcing a diamond drilling rig for planned drill holes focused initially on the Monteviejo and Los Bastos prospect areas.

La Codosera gold project is located close to the Portuguese border in the northwestern-most part of the Badajoz Province in the Extremadura region of Spain and 40 kilometres from the provincial capital, Badajoz. Silver Swan is in joint venture with Canadian listed Astur Gold (TSX-V: AST); the Company is earning up to 80% equity upon expenditure of \$3.0M, staggered as 51% upon completing expenditure of \$1.5M and a further 30% upon expenditure of a further \$1.5M.

Quinns North, Western Australia

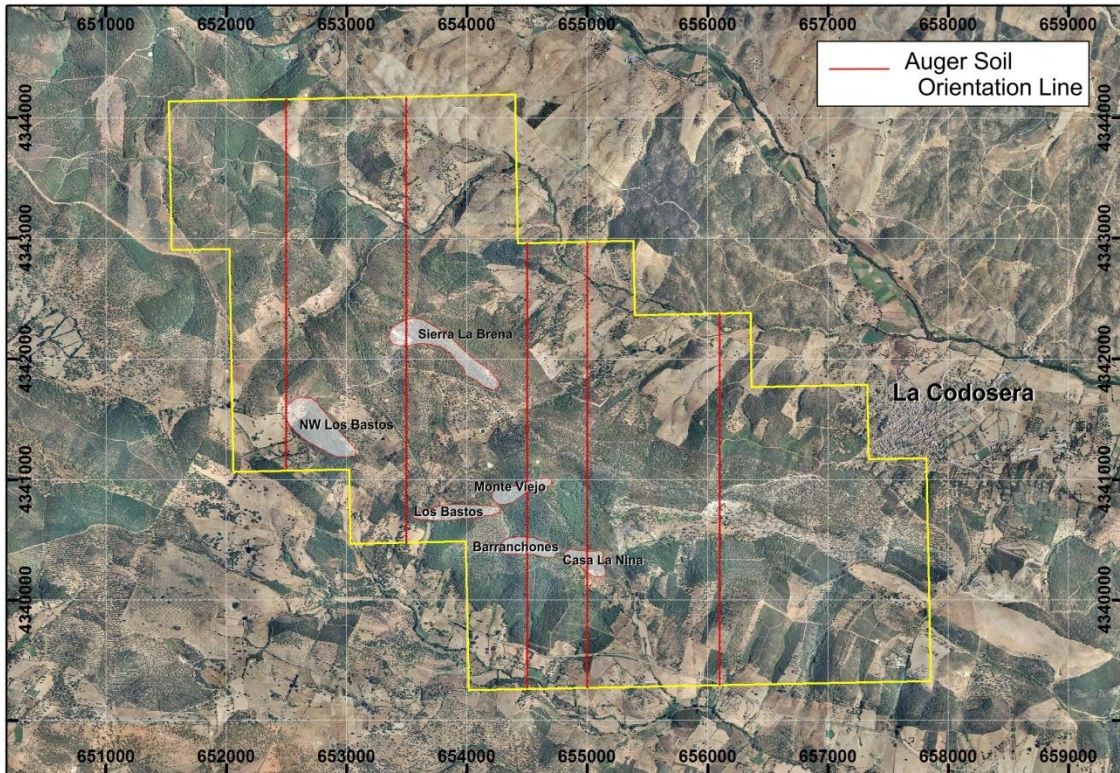
Silver Swan has commenced diamond drilling at its Quinns North VMS project. Quinns is located 55km south of Meekatharra, Murchison Province, Western Australia and currently hosts a 1.48Mt Mineral Resource grading 1.02% copper, 1.39% zinc, 0.24 g/t gold and 3.3 g/t silver⁽¹⁾. The Company is drilling for potential copper-rich feeder zones to the upper zinc mineralisation intersected at Quinns North targeting the discovery of potential new VMS cells to augment the Project’s existing Mineral Resource inventory.

LA CODOSERA PROJECT

Exploration - Auger Drilling

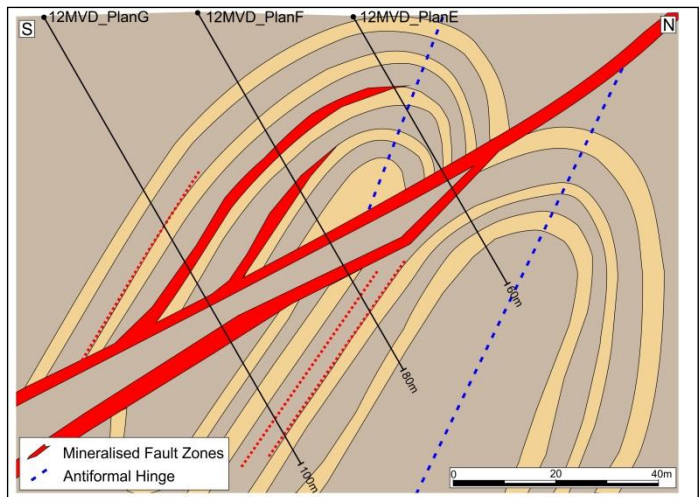
Silver Swan will commence an auger soil sampling programme covering much of La Codosera on 9 July. An initial orientation survey will comprise five lines for a total of 556 sampling points, covering the areas of Monte Viejo, Casa La Nina, Barranchones, Los Bastos and Sierra La Brena on a 200m x 50m, and variously 25m grid. This programme is designed to maximise the benefits and efficiency of the broader soil auger programme in terms of isolating key pathfinder elements and the metal dispersion patterns. 250 sample locations will be assayed for both gold and multi-elements. Further lines of auger soil sampling on a 200m x 50m grid across the tenements will follow on directly from the orientation survey.

Significant gold anomalism has been detected by shallow historic trenching (0.5 – 2m deep) in prospect areas such as Monte Viejo, Los Bastos, Casa La Nina, Barranchones, Sierra La Brena and North West Los Bastos and should be detectable in the soil profile.

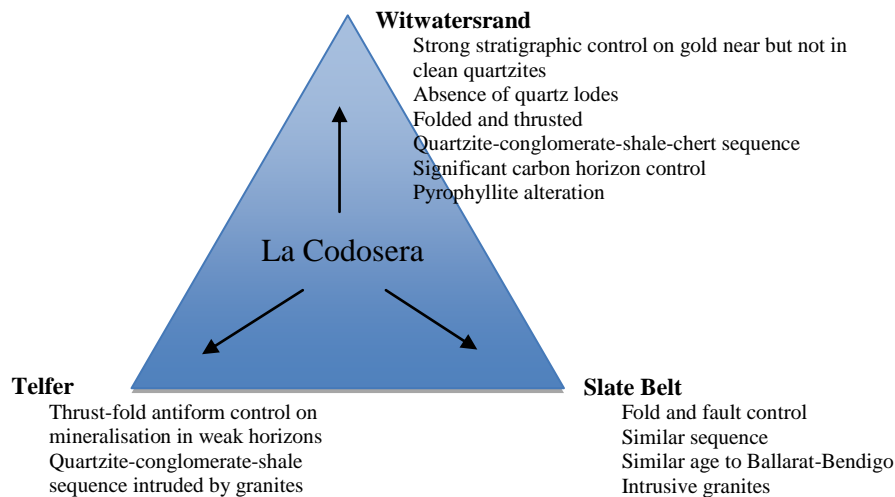


Exploration - Diamond Drilling

Diamond drilling has been planned initially for the Monte Viejo and Los Bastos prospect areas. An initial twelve diamond drill holes for a total of 1100m have been designed to target a stacked lode gold system over a strike length in excess of 1km. Monte Viejo and Los Bastos are offset by an about 200m wide corridor of NW-SE trending faults, within which there is also untested mineralisation. Fences of shallow holes to be used in the program are designed to assess the number, thickness and continuity of known gold lodes parallel to or cross cutting a folded slate-quartzite sequence. The initial programme will also inform Silver Swan's current structural model in order to target the system extension to depth. The initial programme will test mineralisation in the upper 100m from surface.



Deposit similarities for La Codosera – Telfer, Slate Belt and Witwatersrand.



QUINNS NORTH

Exploration - *Diamond Drilling*

Diamond drilling has commenced at Flinders. Three holes are planned for a total of ~900m and a fourth hole may be drilled to ~400m depth, subject to confirmatory geophysics.

Flinders Diamond drill hole Plan A is currently being drilled to a depth of approximately 450m down plunge of, and between previous drill-holes 11FLRCD003 and 11FLRCD005. Zinc mineralisation was intersected in both 11FLRCD003 and 11FLRCD005 with a best result of 10m @ 4.7% Zn, (including 6m @ 7% Zn in 11FLRCD003) with a visible increase in disseminated copper mineralisation with increasing depth (as announced to the ASX on 15 December, 2011).

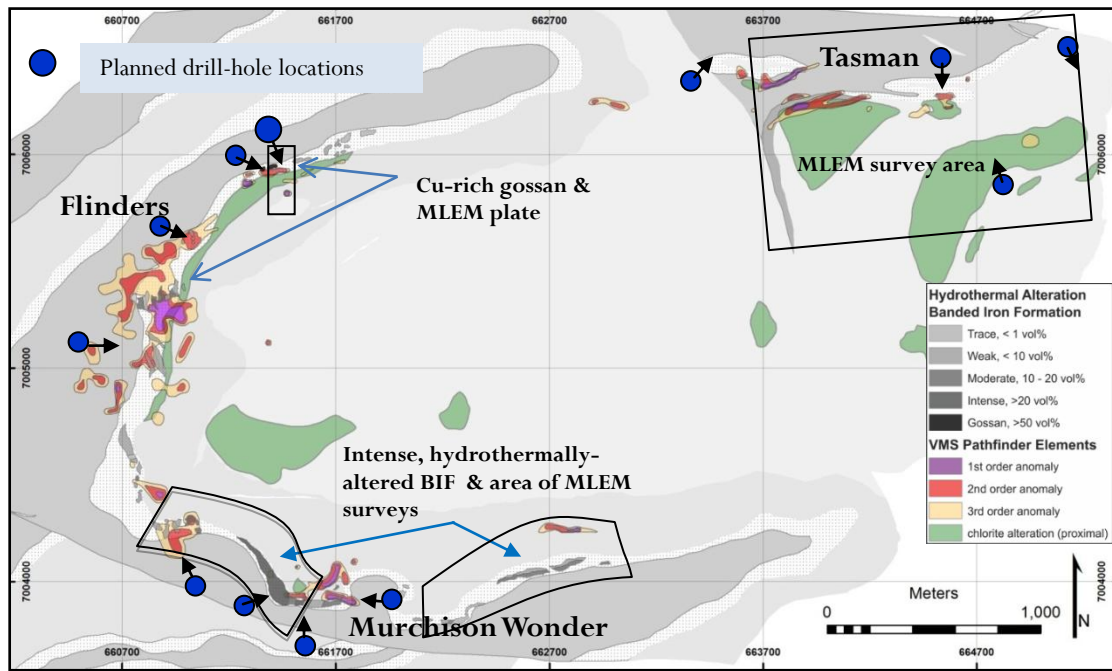
Flinders Diamond drill hole Plan C will be drilled to a target depth of ~260m testing the down-plunge extent of the strongest multi-element surface geochemistry anomaly at Quinns North.

Flinders Diamond drill hole Plan D has a planned depth of 225m, in response to multi-element geochemistry and an offhole EM conductor plate. An additional MLEM anomaly from the current EM programme has located a conductive plate orthogonal to, and close to the off-hole conductor, approximately 300m beneath the Flinders gossan. This data ties in well with gradients in geochemical pathfinder elements and alteration minerals, indicating a thickening to the east of previous drill-hole 11FLRC002; i.e., towards the Flinders gossan about 350m away.

Murchison Wonder Diamond drill hole 12MWRCD006 will complete a pre-collar and test a fixed loop conductor plate down-plunge of previous hole 11MWRC005. The hole will be drilled for a further 100m from the pre-collar, to a final depth of ~230m.

Drilling currently planned for Tasman East is contingent upon final interpretation of geophysical results. Several planned lines of MLEM at Tasman to test geochemical anomalies have had to be abandoned due to difficult terrain.

Currently designed drill holes at Quinns North



Information in this report that relates to Exploration Results & Exploration Targets 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.

The information in this report that relates to the Mineral Resource at Austin is based on information compiled by Dr Sia Khosrowshahi who is a full-time employee of Golder Associates Pty Ltd and a member of the Australasian Institute of Mining and Metallurgy. Dr Sia Khosrowshahi has sufficient relevant experience to the style of mineralisation and type of deposit under consideration and to the activity for which he is undertaking to qualify as a Competent Person as defined in the JORC Code (2004).

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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 and in the Extremadura region of Spain. The Company's current focus is on lode-gold, syn-tectonic copper-gold and volcanogenic massive sulphide (Cu-Zn-Ag-Au) mineralisation.

⁽¹⁾ Silver Swan discovered the Austin Deposit at Quinns in late 2008. Austin contains 1.48Mt @ 1.02% Cu, 1.39% Zn, 0.24g/t Au, 3.31g/t Ag (Measured 463,000t, Indicated 703,000t and Inferred 318,000t).