

**Silver Swan Group Limited**  
**September 2012 Quarterly Activities Report**

**HIGHLIGHTS**

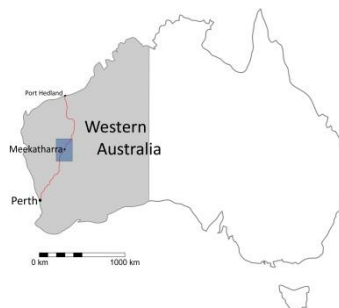
- » **La Codosera maiden diamond drilling programme identifies near surface ore grade intersections**

<b>12MVD001</b>	<b>2m @ 11.3g/t Au and 3m @ 2.2g/t Au</b>
<b>12MVD002</b>	<b>5m @ 6.6g/t Au, incl. 3m @ 10.2g/t Au</b>
<b>12MVD003</b>	<b>3m @ 3.7g/t Au</b>
<b>12MVD004</b>	<b>6m @ 2.2g/t Au, incl. 2m @ 4.2g/t Au</b>
- » **La Codosera auger-soil sampling has returned high-grade gold anomalies with 18 assays over 0.5g/t Au and up to 21.6g/t Au.**
- » **Abbotts follow-up sampling extends gold-in-soil anomaly to 5.6km in length – four priority drill targets identified**
- » **Yagahong soil sampling extends Cu-Au target areas NE of Lady Alma**
- » **Project generation activities continue in Spain and Portugal**

Silver Swan Limited ("Silver Swan" or "the Company") is conducting exploration in the Extremadura Province, Spain and the Meekatharra district of Western Australia. The Company is focused on identifying economic high-grade gold and volcanogenic massive sulphide (VMS) copper-zinc deposits. At La Codosera, a 14-hole diamond drilling programme is underway, with results received for the first four holes, highlighting ore grades in all holes. A 2000 sample auger soil sampling programme is also nearing completion, with ~50% of assays so far received. Results to this point highlight several large gold-in-soil anomalies, with individual assays up to 21.6g/t Au.

Silver Swan's work programme during the September quarter:

- Diamond drilling at La Codosera
- Auger soil sampling at La Codosera
- Soil sampling at Yagahong & Abbotts and
- International business development activities in Spain and Portugal



La Codosera gold project is located close to the Portuguese border in the northwestern-most part of the Badajoz Province in Spain. The project comprises five mineral permits (Afra, Buenavista, Breña, Monteviejo and Sierra Lugar) covering an area of 1,851 hectares (18.5km<sup>2</sup>), located 40km from the provincial capital of Badajoz, in the Extremadura region of western Spain. The Extremadura region is known as a leader in mining industry support and one of the most famous historic gold districts in Spain.

Silver Swan is in a joint venture with Canadian listed Astur Gold (TSX-V: AST); the Company can earn up to an 80% equity upon expenditure of \$3.0M, staggered as to 51% upon expenditure of \$1.5M and a further 29% upon expenditure of a further \$1.5M.

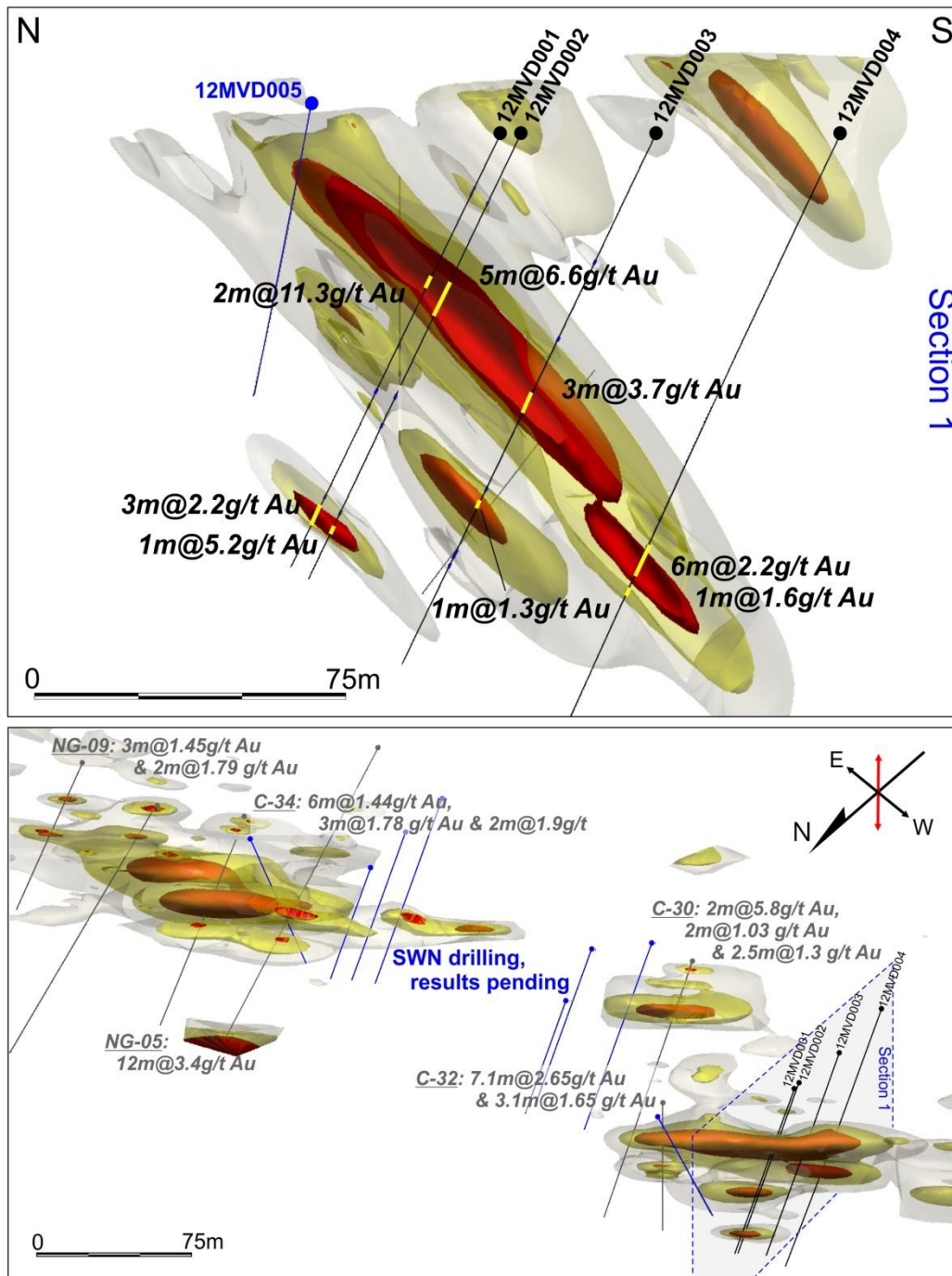
Work during the quarter has focussed on completing a 14 hole diamond drilling programme and a 2000 sample staged regional auger soil sampling programme. The current drilling programme is designed to test the mineralised system to 100m depth, over a strike length of approximately 2km.

The 14-hole diamond core programme has been focused on the Monteviejo and Los Bastos prospects for a total of approximately 1,500m and is now nearing completion. So far ten holes have been completed. The results from four of these holes (12MVD001-12MVD004) have been received and the results are highly encouraging.

High-grade gold has been intersected in all four holes on the first 'fence' of drilling at Monteviejo, with two lodes evident (an upper high-grade lode and narrow lower lode). The mineralised intersections, (with individual metre grades up to a maximum of 18g/t Au), display excellent continuity and project to surface on the north side of an anticline where trench results of 9m @ 2.0g/t Au and 11m @ 2.6g/t Au, are recorded.

Gold is associated with sheared and veined quartzites and tectonic graphite within a fold and thrust sequence of quartzites, shales, and graphitic shales. Current drilling indicates a stacked, en échelon lode gold system.

Hole ID.	Easting	Northing	Dip (°)	Azimuth (°)	From (m)	Interval (m)	Au (g/t)
12MVD001	654266	4340913	-60	010	11	2	1.0
					30	2	11.3
					56	1	1.3
					78	3	2.2
12MVD002	654266	4340909	-60	010	33	5	6.4
					incl. 33	3	10.2
					81	1	5.2
12MVD003	654260	4340880	-60	010	26	1	1.3
					53	5	2.5
					incl. 54	3	3.7
					76	1	1.4
12MVD004	654258	4340843	-60	010	79	1	1.6
					85	6	2.2
					incl. 89	2	4.2

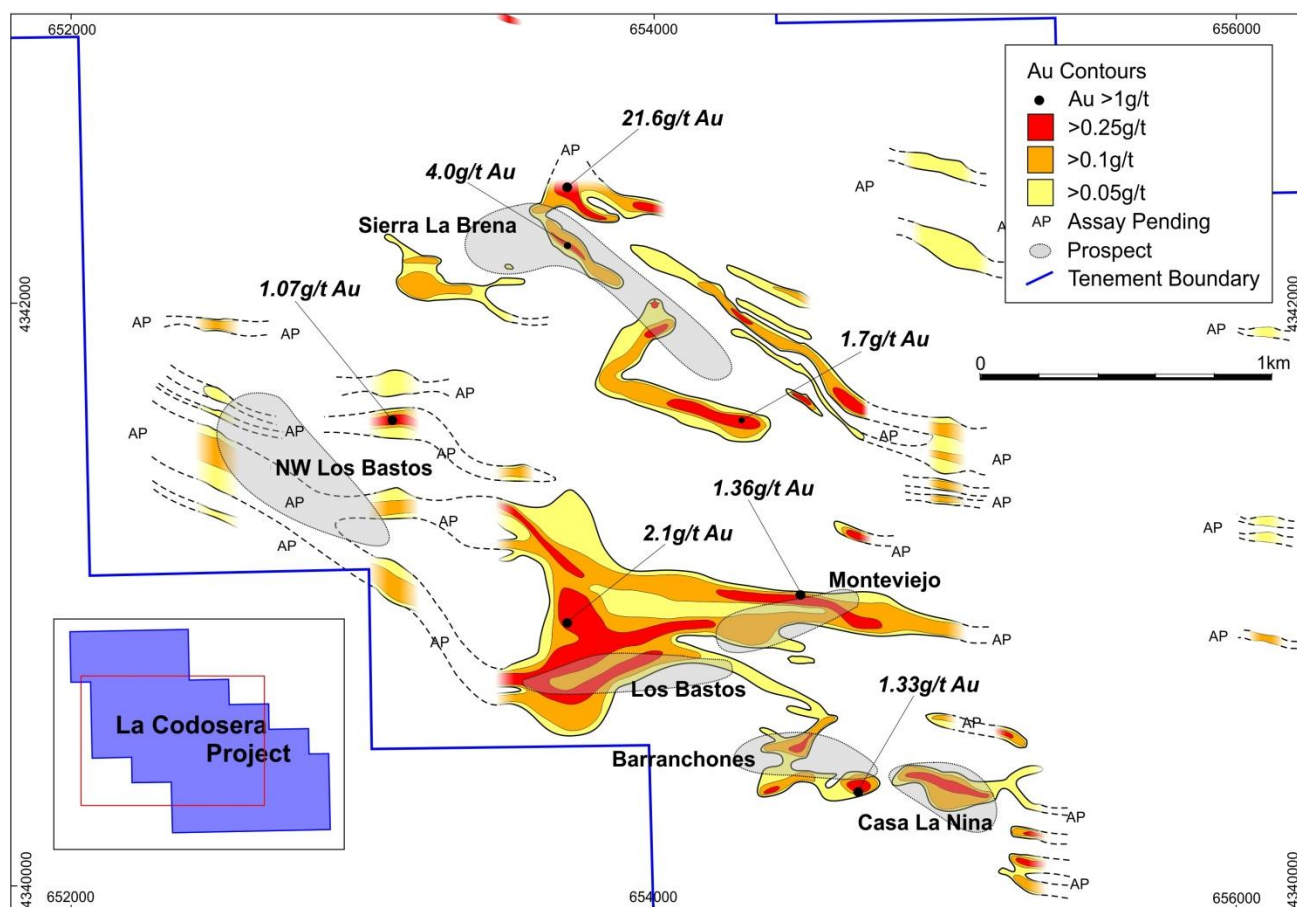


**Top:** Cross Section of Fence 1 drill holes 12MVD001 to 12MVD005. Results are pending for drillhole 12MVD005 which is drilled at right angles to the other holes down the axis of the fold hinge to test the dilatant fold hinge breccia position.

**Bottom:** Inclined view looking down-dip to the SE, illustrating multiple zones of gold mineralisation and potential for significant along-strike continuity. The blue lines represent two more fences of SWN completed drillholes, for which results are pending, that test a large gap in exploration drilling. Results in 'grey' relate to historic drilling.

High-grade auger-soil assay results to a maximum of 21.6g/t gold have also been returned in several areas across La Codosera, with assays received for 50% of the current (~2000) sample auger-soil programme. An area of highly anomalous gold-in-soils at Monteviejo expands to the west across Los Bastos, thickening to over 500m in width and 1,200m of strike. Results are awaited for the areas between Los Bastos and NW Los Bastos. Importantly, these areas may well connect, giving a potential strike length of in excess of 2,000m.

A second zone of anomalous soils extends across the prospect areas of Barranchones and Casa la Niña for approximately 700m of strike length and separately at Sierra La Breña which has returned the highest gold grades. The auger-soil sampling has been conducted on a 200m by 50m pattern and selectively on 100m by 25m sampling density.



**Contoured Auger-Soil Results:** 200x50m grid locally infilled to 100x25m. Results are pending for an additional 855 samples; this includes the area between Los Bastos/Monteviejo and NW Los Bastos where there is substantial thickening of anomalous gold.

Quinns is located 55km south of Meekatharra, covering a tenement area of ~45km<sup>2</sup>. The Austin volcanogenic massive sulphide (VMS) discovery was made in 2009 and is located in the south-western part of the Quinns area.

- **Drilling:** During the quarter, diamond drilling was completed at Murchison Wonder (2 holes totalling 669m). 12MWD007 was drilled to 354m depth targeting an MLEM conductor plate in felsic rocks beneath the BIF on a new prospect ~1km west of historic Murchison Wonder drilling. The hole intersected pyrite with minor chalcopyrite and pyrrhotite associated with a narrow zone of semi-massive sulphides within silica chlorite alteration in the upper target zone beneath the BIF (from ~200m), and a second significant 24m thick zone of talc-chlorite alteration with anomalous but uneconomic copper mineralisation deeper in the felsic sequence (from 307m). Hole 12MWD008 followed up two off-hole EM conductor plates from hole 12MWD007. The hole intersected disseminated and stringer sulphides (pyrite, pyrrhotite and minor chalcopyrite) coincident with the upper conductor plate but failed to intersect any economic base metal sulphides. Hole 12MWD008 was terminated prior to testing the lower conductor plate because the hole could not be lifted (steered) to intersect the second target.
- **Geophysics:** Down hole EM was conducted on Flinders diamond hole 12FLD009 which was drilled during the June quarter. This survey did not identify any in-hole conductors that accounted for the MLEM conductor plate despite strong VMS-style alteration at the target horizon. A weak off-hole conductor was identified west of the drillhole but, due to its relatively low conductivity, it is a low priority for follow-up. DHEM was also conducted on the two Murchison Wonder holes. In hole 12MWD007, two strong off-hole conductors were detected below and to the West of the hole, with the strongest conductor located at or just below the base of the main BIF (at around 200m depth) and a second apparently associated with the off-hole projection of the strong talc-chlorite alteration zone from 307m. The upper conductor was subsequently tested by 12MWD008 (which as described above was terminated before testing the lower conductor). DHEM on 12MWD008 revealed a strong in-hole conductor, coincident with the upper target zone, which was explained by the zone of uneconomic disseminated and stringer sulphides at around 255m.

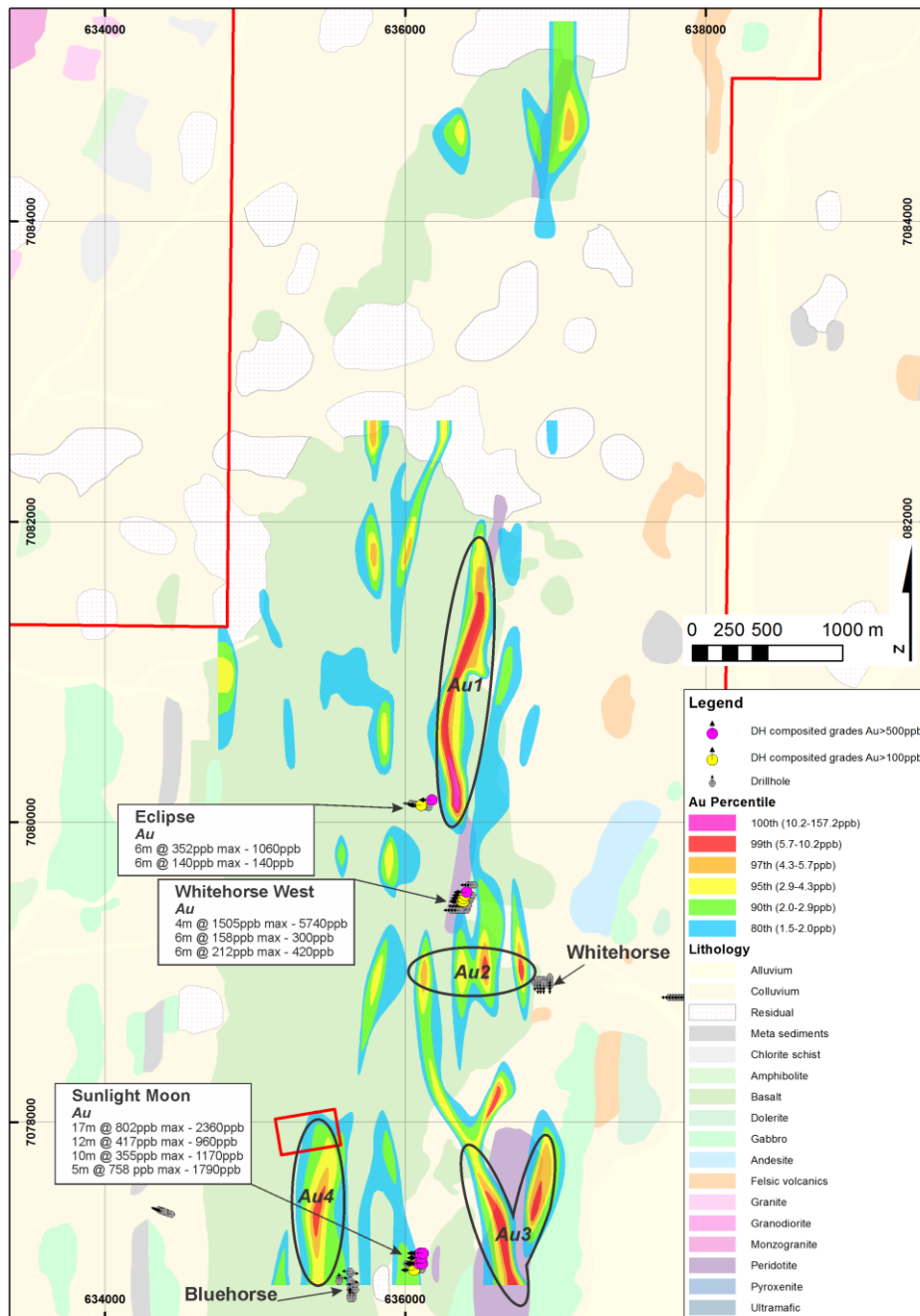
Several priority exploration targets identified by multi-element geochemistry, ground EM and field mapping, remain to be tested at Flinders, Murchison Wonder and Tasman.

The Abbotts tenement group comprises ten granted tenements for a total of 292km<sup>2</sup>. This large group of tenements is strategically located within 50km of the major Meekatharra gold mining district and Doray Minerals recent Andy Well gold discovery (831,000t @ 12.7g/t Au for 331,000oz Au). The Andy Well host structure is interpreted to cut the southern part of the Abbotts tenement package.

During the quarter:

- 11 rock chip samples were collected and analysed for Au + 47 elements at Abbotts South as part of an outcrop reconnaissance programme following up on the anomalous soil sample results reported last quarter. No significant anomalous assay values were returned.
- An additional 264 soil samples were collected at Abbotts North (E51/913), and assayed for Au + Cu, to assess an additional 3200m strike extent of the 1.8km long coherent, linear, gold-in-soils anomalies reported last quarter. The southern extension to the soils programme encompasses several isolated historic RAB drill traverses with significant gold intercepts demonstrating that 1-5g/t Au RAB intersections are proximally associated with the recently defined low level 2-10ppb Au in soil anomalies. However, these historic RAB holes have not assessed the peak of the recently defined gold-in-soil anomalies. The 400m line spaced soils

programme indicates that the previously reported northern gold-in-soil anomaly seems to split into two or three anomalous zones towards the south, providing a total of four priority gold targets for follow-up RAB/AC drilling.



**Abbotts North:** A 5.2km long gold-in-soil anomaly with isolated historic Au in RAB drilling anomalies that appear to be proximally associated with the newly defined soil anomalies. Sample have been collected on 80m intervals on 200m line spacing (Au1: previously reported) to 400m line spacing (Au2-4: new data).



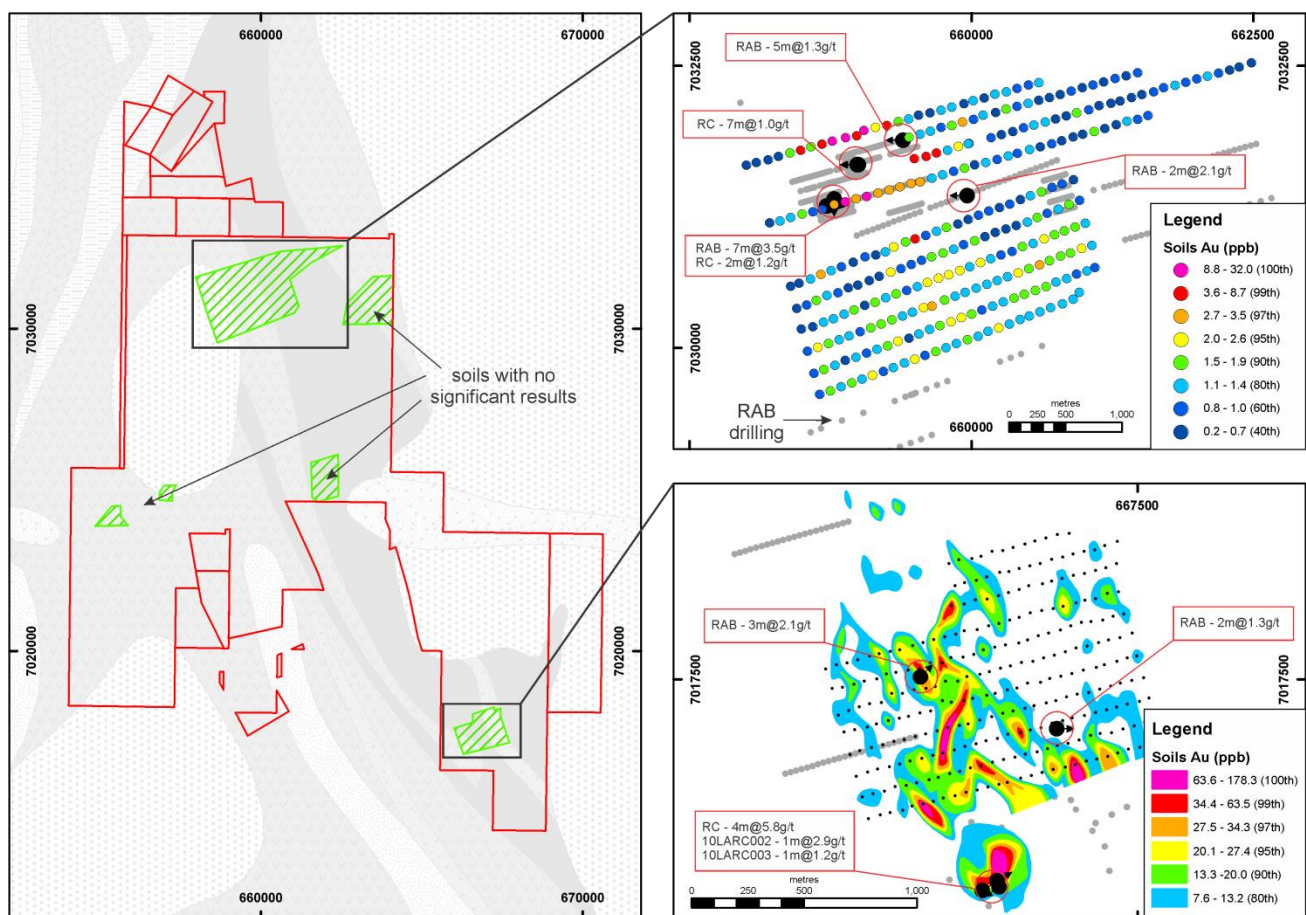
The Yagahong project area is located 35km south-east of Meekatharra, and approximately 20km north-east of Quinns, on the Sandstone Road. The tenement area was expanded to 166km<sup>2</sup> during the quarter with the granting of 16 new Prospecting Licenses, most of which form contiguous extensions North and South of the existing tenement package.

Historically Silver Swan has focused its Yagahong exploration activities on the Cu-Au mineralisation of the Lady Alma and Copper Hills prospects in the south-east of the tenement group. A detailed exploration targeting review completed during the quarter highlighted the additional potential for structurally controlled Au (+/- Cu) mineralisation across a much broader area in the central and northern parts of the tenement group, where granite-margin strain shadow-hosted orogenic gold targets are being investigated along with shear-zone hosted Cu-Au. These targets have been the focus of this year's exploration activities, along with previously untested structural targets to the north and northeast of Copper Hills and Lady Alma.

During the quarter the following activities were undertaken:

- 745 surface soil samples collected and submitted for Au + Cu by 100g BLEG (E51/960)
- 27 rock chips submitted for Au + Cu by 25g aqua regia –AAS (E51/960)

This work has resulted in the definition of three priority targets for follow-up drill testing and an additional area NE of Lady Alma and Copper Hills requiring regional soil sampling to test for structurally controlled Cu-Au mineralization.



**Left:** Yagahong soils programme sampling areas (green polygons)

**Top-Right:** gold-in-soil anomalies on NE granite margin (with historic RAB drilling in grey)

**Bottom-Right:** gold-in-soil anomalies north and northeast of Lady Alma (sample locations indicated by black dots)

## Activities for the Quarter to December 2012

### La Codosera Project (Spain)

#### Orogenic Slate Belt-hosted Gold

- Completion and reporting of the regional auger soil sampling programme resulting in a total of ~2000 samples, on either 200x50m or 100x25m sample spacing, covering approximately 65% of the La Codosera tenement group.
- Completion of the first phase diamond drilling (DDH) of Monteviejo prospect (13 shallow DDH's for ~1500m).
- Design and commence additional 100x25m infill auger soil sampling lines to infill significant anomalies defined by the current programme, where required to constrain drill target generation.
- Design and commence the second phase of drilling at La Codosera to follow-up on initial drilling results, and test additional prospects where strong gold-in-soil anomalies have been defined by the current auger soil sampling programme.

### Quinns Project (Meekatharra)

#### VMS - Base Metals

- No work planned – dominant focus for the quarter will be on advancing La Codosera exploration

### Yagahong Project (Meekatharra)

#### Gold and Copper

- Limited work planned – dominant focus for the quarter will be on advancing La Codosera exploration

Potential drill targets arising from the recent soils programmes will be assessed and where priority targets are identified, drilling programmes will be designed.

### Abbotts Project (Meekatharra)

#### Gold and Base Metals

- Limited work planned. Potential drill targets arising from the recent soils programmes will be assessed and where priority targets are identified, drilling programmes will be designed.

### Stakewell Project (Meekatharra)

#### Orogenic Gold

- No work planned

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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.*

## ABOUT SILVER SWAN

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