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#700 – 509 Richards Street
Vancouver, British Columbia
Canada V6B 2Z6
Telephone: (604) 801-7240
Toll-free: 1-888-989-9188
Fax: (604) 689-8355
info@selwynresources.com
www.selwynresources.com

News Release

Selwyn Updates Revised Mine Development Plan for the Selwyn Project

Vancouver, BC, August 22, 2012 – Selwyn Resources Ltd. (SWN.TSX.V) (“Selwyn”) is pleased to announce an updated development plan for the Selwyn Project in the Yukon. The Selwyn Project is managed by Selwyn Chihong Mining Ltd (“SCML”), a joint venture between Selwyn and Chihong Canada Mining Ltd. Chihong Canada Mining Ltd. is a wholly owned subsidiary of Yunnan Chihong Zinc and Germanium Co., Ltd., one of China’s largest mine and smelter operators. The revised development plan is the result of internal engineering investigations by SCML during the last three months, using the mineral resource previously reported according to National Instrument 43-101 (“NI 43-101”) standards (see August 13, 2012 release) with independent review of mining, milling, environmental and infrastructure disciplines as required.

Highlights

- *3,500 tonne per day combined mining rate from XY Central and Don deposits with increased mill feed grade of 10% to 12% combined zinc and lead content, diluted, with a ratio of approximately 2 to 1 zinc-to-lead.*
- *Workforce reduced to 400 (+/-50) from previous estimates, which does not include external services such as concentrate or consumable haulage, road maintenance and camp catering, and is expected to achieve a reduction in camp capital and operating costs compared to previous estimates.*
- *Independent qualitative analysis of drill core has provided a geotechnical update that allows for larger than 10 metre mine openings and the use of lower cost longhole stoping methods for underground mining.*
- *Mine production planning is in progress with mining costs ranging from \$45 to \$55 per tonne of mill feed.*
- *Waste rock from underground development is scheduled as mine backfill to reduce capital and operating costs as well as simplifying site logistics and minimizing the environmental footprint.*
- *Metallurgical flowsheet changes are expected to reduce power consumption, with less material to regrind and shorter flotation retention time, and improved lead flotation performance. Metallurgical verification testwork is in progress, including locked cycle testing. As a result, the milling cost is expected to be between \$30 and \$35 per tonne of mill feed.*
- *Alternative port facilities at Skagway and Stewart have been included in the revised transportation logistics plan, to further minimize the project’s capital and operating costs, including an upgrade of the existing road linking the site to the southern gateway of Watson Lake. Current cost quotations for truck transport, handling and ocean freight total approximately \$28 per tonne of mill feed, or \$190 per tonne of wet concentrate.*
- *Planned relocation of the milling complex is expected to consolidate the infrastructure, simplify site logistics and reduce capital and operating costs.*

- *Combined mining and milling costs of less than \$90 per tonne is expected, and an overall combined cost of approximately \$150 per tonne is expected which includes mining, milling, G&A, transport, ocean freight and smelter charges.*
- *Recent signing of an Interim Measures Agreement with the Kaska First Nation was announced (see July 19, 2012 news release).*
- *Use of available engineering and environmental impact and mitigation work for the revised scale of the project.*
- *SCML is developing an internal project team to reduce project overheads for pre-production and construction.*

Until a feasibility study is completed the economic viability of the proposed operation is not certain.

Background

In late 2010, SCML embarked on a feasibility study with Tetra Tech Wardrop (Tetra Tech) to prepare an analysis of the technical and economic feasibility of the Selwyn Project. At that time, the study was incorporating an 8,000 tonne per day (tpd) underground mining and processing facility to produce lead and zinc concentrates for shipment and sale. The mineral resource used in this analysis was from the XY Central and the Don deposits. In April 2012, this feasibility work was terminated based on internal conclusions that the project was not technically or economically feasible, primarily due to the following reasons:

- 8,000 tpd from the two underground mines could not be achieved within reasonable economic and safe mining constraints beyond 4 to 5 years;
- the lower mined grade could not support the high mining, metallurgical processing and transportation costs that had been estimated for the site location; and
- multiple levels of contingency and aggressive profit margins in developing the cost basis for financial analysis.

Tetra Tech has delivered a Status Report on the Selwyn Project feasibility study report, dated July 2012, which excludes a financial analysis prepared under an Independent Qualified Person review, and provides the primary database and cost sourcing for continuing work by SCML on the revised mine plan and development.

Mineral Resource

The mineral resources selected for the 3,500 tonne per day mine development plan include only Indicated resources from the Don and XY Central deposits. The Don deposit mineral resource estimate was recently updated (see August 13, 2012 news release) and is now known to contain an Indicated mineral resource of 41,788,700 tonnes grading 5.35% zinc and 1.87% lead at a 2.0% zinc cut-off grade; which includes a higher-grade subset of 16,353,257 tonnes grading 7.26% zinc and 2.62% lead at a 5.5% zinc cut-off. The updated mineral resource estimate was prepared by Independent Qualified Person, Mr. Garth Kirkham, P.Geo., Kirkham Geosystems Ltd., Burnaby, British Columbia.

The mineral resource for the XY Central deposit has remained unchanged since last published in September 2011 to NI 43-101 standards with an Indicated mineral resource of 29,936,000 tonnes grading 6.35% zinc and 2.69% lead at a base case 2.0% zinc cut-off grade. This mineral resource is only for three of six lenses that comprise the XY Central deposit, namely the 93, 94, and 95 lenses. The current overall global mineral resource for the XY Central deposit is an Indicated mineral resource of 45,114,500 tonnes grading 5.70% zinc and 2.40% lead and an Inferred mineral resource of 44,112,500 tonnes grading 4.10% zinc and 1.29% lead, both at a 2.0% zinc cut-off grade. The September 2011 mineral resource estimate for the XY Central deposit was prepared by Independent Qualified Persons, Mr. Garth Kirkham, P.Geo., of Kirkham Geosystems Ltd., Burnaby, British Columbia, and Mr. Cliff Pearson, P.Geo., Pearson Geological Inc., Victoria, British Columbia (see September 12, 2011 news release).

Available Indicated Mineral Resources in Don and XY Central Deposits at a 2% Zinc Cut-off

Resource Class	Deposit	Tonnes	Zn (%)	Pb (%)	Zn (Blbs)	Pb (Blbs)
Indicated Category ⁽¹⁾	XY Central	29,936,000	6.35	2.69	4.19	1.77
Indicated Category ⁽²⁾	Don	41,788,700	5.35	1.87	4.92	1.72
Total		71,724,700	5.77	2.21	9.11	3.49

Notes to Table 1:

- 1) 2011 mineral resources to NI 43-101 standards were completed by Independent Qualified Persons, Mr. Garth Kirkham, P.Geol. and Mr. Cliff Pearson, P.Geol. (see September 12, 2011 news release).
- 2) 2012 mineral resources to NI 43-101 standards were completed by Independent Qualified Person, Mr. Garth Kirkham, P.Geol. (see August 13, 2012 news release).

The revised mine plan that has been developed recently incorporates the XY Central and Don deposits, representing only a small portion of the overall known Indicated mineral resources for the Selwyn Project, which are currently 185,573,200 tonnes grading 5.20% zinc and 1.79% lead at a 2.0% zinc cut-off grade (see August 13, 2012 news release). The objective of SCML is to establish a small tonnage, high-grade mining operation to provide an operating basis for possible future expansion to extract a greater portion of the remaining mineral resources located at the Selwyn Project.

Mining

The principal mining alternatives historically assessed for the Selwyn Project were open pit and underground mining methods ranging from 5,000 to 40,000 tonnes per day. Earlier development plans had assumed a large scale operation with mining rates of 20,000 to 40,000 tpd from multiple open pits. The base metal price environment of the latter part of 2008 and early 2009, as well as confirmation of the known high-grade resource base at the XY Central and Don deposits of the Selwyn project, resulted in further investigation of development alternatives. The revised approach in the prior plan included two underground mines with a combined mining rate in the range of 5,000 to 10,000 tpd and an overall mine life of at least 10 years. Due to the high capital costs and lower than expected mine grades from the diluting effects of high rate production mining methods necessary to achieve the required daily production, the economic results were unfavourable.

As a result, a lower tonnage operation is being assessed and considers the following:

- initial mining of higher grade ores, lower initial production rates and reduced capital costs to enhance the financial viability of the project;
- reduced unit operating costs;
- improved socio-economic benefits for the local communities by extending the initial known mine life.

The management of SCML decided to focus on a mine development plan that initiates mining the largest of the known high-grade resources which are contained in the XY Central and Don deposits. These resources extend to depths of at least 350 metres at XY Central deposit and 700 metres at Don deposit, and therefore underground mining methods are warranted. The topography is favourable for decline access to the zones available for mining. Mining rates of 2,000 tpd and 1,500 tpd were considered safe and sustainable for XY and Don deposits, respectively, based on the known access and deposit geometry.

The geology of the XY and Don deposits is variable and complex for mining. As a result, several mining methods have been evaluated on the basis of safety, sustainable mine development, schedule, operating and construction costs, and environmental impact. Initial geotechnical constraints placed on mining method selection have recently been re-evaluated by AMEC using qualitative analyses of AMEC selected drill cores. AMEC's analysis resulted in a modification of the geotechnical constraints that allow for excavation spans greater than the five metre limit that had previously been set. As a result, a

combination of mining methods has been selected which are currently being evaluated. It is anticipated that shallow dipping portions of the XY deposit can be mined using bench stoping with cemented and un-cemented waste rock backfill, while the steeper dipping areas of the XY and Don deposits can be mined using a combination of longhole transverse, retreat or bench stoping methods with cemented and un-cemented waste rock backfill.

For mine planning purposes, the XY deposit has been divided into three relatively flat-dipping lenses (93, 94 and 95). Each of the lenses has a strike length of approximately 500 metres and each extends from close to the surface to a presently planned mining depth of 350 metres. Ore widths range from 5 metres to 15 metres. The three mineable lenses are estimated to contain an undiluted mineable tonnage of approximately 5.9 million tonnes grading 8.9% zinc and 4.7% lead. Current production planning is for 2,000 tonnes per day from the XY Central deposit.

The Don deposit has a drill-defined strike length of approximately 800 metres. The deposit has a strike of 104°, and dips steeply to the southwest at 85° to 90°. Drilling has tested the deposit to a depth of 700 metres below surface. The deposit is truncated at the western extent, but remains open to the east and down dip, suggesting the potential for extending mine life through the delineation of additional resources. Ore widths range from approximately 5 metres to about 40 metres in the 61 lens and 5 metres to over 100 metres in the 63 lens. The mining blocks are estimated to contain an undiluted mineable tonnage of approximately 7.2 million tonnes grading 3.1% lead and 7.6% zinc, or higher, sufficient to sustain production of a minimum of 1,500 tonnes per day, with production expansion currently under evaluation.

Detailed mine production planning is now in progress by SCML, assisted by AMEC Mining and Metals and Mintec Inc as required on a secondment basis to complement SCML's mining team. Based on the mine planning completed to date, SCML expects mining costs of \$45 to \$55 per tonne of mill feed.

Milling

A 3,500 tonne per day capacity milling complex is planned to process the fine-grained polymetallic lead/zinc bearing material from the XY Central and Don deposits, located near the Don deposit and the tailings storage facility. The principal economic minerals are sphalerite and galena. Minor pyrite, quartz and calcite make up the gangue minerals. The processing flowsheet has been developed based on experimental results obtained over the last 20+ years to separate sphalerite and galena from gangue minerals by differential flotation to produce separate zinc and lead concentrates for shipment and sale.

The metallurgical flowsheet incorporates conventional processing components including: primary crushing, primary and secondary grinding (SAG mill and secondary grinding), differential flotation (including zinc and lead regrind), concentrate dewatering systems, tailings discharge to a dedicated tailings storage facility, and reagent systems.

A recent review of the process metallurgy identified a number of potential opportunities for capital and operating cost reductions, including:

- Replacement of the gyratory crusher with a jaw crusher;
- Addition of a cleaner stage on the carbon scalping stage to improve carbon rejection and overall lead and zinc recovery;
- Creation of a first cleaner stage for both the lead and zinc circuits to reduce the amount of material reporting to the regrind circuit by up to 50%;
- Removal of the tailings thickener to improve process water quality and metallurgical performance;
- A reduction of the number of cleaner flotation stages and inclusion of column flotation cells;
- Reverse flotation for final concentrate cleaning

Average metallurgical recoveries are estimated at approximately 83% of the contained zinc and 70% of the contained lead, resulting in the production of approximately 180,000 tonnes per year of zinc

concentrate, at an average grade of approximately 56% zinc, and approximately 65,000 tonnes per year of lead concentrate, at an average grade of approximately 60% lead.

Verification testwork is continuing at G&T Metallurgical Services under the direction of Jeff Austin, P. Eng., of International Metallurgical and Environmental Inc, using composite samples from recent drilling.

Based on the revised process flowsheet, SCML expects the milling cost to be \$30 to \$35 per tonne milled using the unit cost information compiled by Tetra Tech which will be verified by updated quotations and power estimates.

Infrastructure

An internal review of the project infrastructure has identified several potential opportunities to reduce capital and operating costs:

- The milling complex can be relocated to a location near the tailings storage facility and the Don mine, to consolidate the project infrastructure, including the camp, maintenance shops, airstrip and power plant.
- A satellite power plant and water treatment plant will be located at the XY mine to minimize power distribution requirements and pipelines, while the primary power plant and water treatment facilities will be located at the main milling and camp complex.
- Workforce reduced from 500 (+/-50) to 400 (+/-50), which does not include external services such as concentrate or consumable haulage, road maintenance and camp catering, which is expected to achieve a reduction in camp capital and operating costs.
- Alternative port facilities are available for shipping mineral concentrate to world markets; Skagway, Alaska, and Stewart, British Columbia. At the smaller tonnage, SCML would have access to storage and loading facilities in either location, or both, subject to contract negotiations. Both port sites have facility expansion plans underway to accommodate the anticipated demand for facilities in the coming years from new projects in the region.
- There are a number of transport companies that could provide concentrate haulage as well as consumable haulage on a back-haul basis for the project. The alternatives are currently being reviewed with respect to maximizing the benefits to local communities while minimizing the cost to the Selwyn Project.

Based on current quotations SCML expects the total transport, handling and ocean freight costs to be approximately \$28 per tonne of mill feed, or \$190 per tonne of wet concentrate.

Environmental & Community Affairs

Major permits required to advance project development include Quartz Mining and Type A Water Licences in the Yukon and Land Use Permits in the Northwest Territories (“NWT”). Both jurisdictions require the completion of a comprehensive environmental assessment (through Yukon Environmental and Socio-economic Assessment Board (“YESAB”) in the Yukon and Mackenzie Valley Environmental Impact Review Board (“MVEIRB”) in the NWT. A draft YESAB submission and MVLWB Land Use Permit application for the road in the NWT were completed in late 2011 based on an 8,000 tonne per day mining scenario with underground mining at XY and Don deposits. These draft submissions will be used as a foundation for revisions to reflect the current concept of underground mines at XY and Don deposits with lower production rates and relative reductions in infrastructure.

Additional community consultation on the updated project design is required in advance of making project submissions to YESAB and MVLWB. This consultation is expected to proceed in the fall of 2012. SCML has completed an Interim Measures Agreement (IMA) with the Kaska Nation communities whose traditional territory overlaps much of the Project Area. This agreement covers all project lands in the Yukon and project development phases up to the construction of a mine. SCML has commenced negotiation of a Socio-economic Participation Agreement (SEPA) with the Kaska that will cover the

construction, operations and closure phases of the Project. A Co-operation Agreement with the Tulita District Dene and Metis aboriginal groups was signed on April 29, 2010. SCML has entered into negotiation of a Co-operation Agreement with Naha Dehé Dene Band (Nahanni Butte) in respect of Selwyn Project activities within its traditional territory in the Northwest Territories.

Comparative Operations

SCML has the objective to develop an operating mine that meets environmental and community expectations raised during previous consultations and provides a safe and sustainable mine operation that efficiently utilizes the mineral resources while maximizing the benefit to local communities. The revised development plan offers an opportunity to begin operations on a conservative basis with potential for long term continued development of the Selwyn mineral complex. As summarized in the following table, the revised development plan described above incorporates known technologies and mining practices to minimize project risk and to minimize the surface and environmental impacts of the project.

Area of Operation	Applicable Technology	Application in Other Northern Mining Projects
Underground Mines	Longhole stoping. Variant of cut-and-fill stoping in areas of shallow dip.	Greens Creek, Wolverine, Lisheen, Shalkiya
Processing Flowsheet	Crushing ,grinding/regrinding, flotation, concentrate thickening	Red Dog, Bellekeno, Lisheen
Tailings Storage Facility	Conventional tailings dam and impoundment with partial liner	Red Dog, Minto, Wolverine
Water Treatment Plant	Sulphide precipitation	Raglan, Minto, FMI Bisbee, Jiangxi Copper
Power Generation	Diesel-fuelled electricity generation and distribution	Diavik, Ekati, Snap Lake, Red Dog
Concentrate Transportation	Road haulage to Skagway, Alaska, Stewart, BC, or Fort Nelson railhead	Bellekeno, Minto, Wolverine

Contributors

The information in this update is a summary of information compiled from SCML internal engineering work completed to date, including the following reference documents and contributors:

1. Tetra Tech Wardrop (Tetra Tech), Status Report on the feasibility study, July 2012
2. Merit Construction – construction estimate, internal report, December 2011
3. AMEC Mining and Metals –geotechnical evaluations, preliminary mine planning and design, with internal reports and seconded personnel
4. Mintec Inc. – mine design, layout and seconded personnel
5. International Metallurgical and Environmental – process flowsheet and metallurgy updates, mass balance evaluation, process design criteria evaluation, process unit cost review, internal reports
6. G&T Metallurgical Services – sample composite preparation, metallurgical testwork, process flowsheet updates, reagent quantities, internal reports
7. Klohn Crippen Berger Ltd – Tailings Storage Facility Study Report, Revision A, November 2011
8. Paul Taylor, consultant – transport, internal reports, included as Chapter 8 in the Tetra Tech report
9. Neil Brazier, consultant – power and power distribution, internal reports, included as appendices to the Tetra Tech report
10. Gerry Beauchamps, consultant – mine costing, internal reports

This press release contains forward-looking statements concerning mineralization at and the development of the Selwyn Project. These forward-looking statements are based on assumptions and judgments of management regarding future events or results that may prove to be inaccurate as a result of factors beyond Selwyn's control, including the results of exploration activities, economic evaluations and engineering studies, the availability of funds in the financial markets on terms acceptable to Selwyn and the public's view of the economic value of the Selwyn Project. Until a feasibility study is completed the economic viability of the proposed operation is not certain. Additionally, more drilling is required to confirm the potential of the new discovery areas, expansions of the current resource areas, and the extension of the higher grade deep mineralization to depth at the Selwyn Project. There is no assurance that such additional drilling will expand mineral resources or that the resources being defined can be developed as an economically attractive mine. Uncertainties associated with permitting and other factors could delay development of the Selwyn Project. Although Selwyn has attempted to identify important factors that could cause actual results to differ materially from those contained in the forward-looking statements, and there may be other factors that cause results not to be as anticipated or intended. There is no assurance that such information will prove to be accurate, as future events could differ materially from those anticipated in such information and accordingly, there is no assurance that the Selwyn Project will be developed into a profitable mine. Readers should not place undue reliance on forward-looking statements.

Contributors:

Brad Marchant, President & CEO, Selwyn Chihong Mining Ltd.

Jason Dunning, P. Geo., Vice President Exploration, Selwyn Resources Ltd.

Joe Ringwald, P. Eng., Vice President Mining, Selwyn Resources Ltd.

Alistair Kent, P. Eng., Manager, Technical Services, Selwyn Chihong Mining Ltd.

Justin Himmelright, R.P. Bio., Vice President Environment & Community Affairs, Selwyn Resources Ltd.

For more information contact:

Dr. Harlan Meade, CEO, Selwyn Resources Ltd.

Catalin Chiloflisci, Manager of Investor Communications, Selwyn Resources Ltd.

Telephone: +1 (604) 801-7240

Toll-free: +1 (888) 989-9188

Facsimile: +1 (604) 689-8355

Email: info@selwynresources.com

Website: www.selwynresources.com

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