



SILVER SWAN
GROUP

2012

ANNUAL REPORT



DIRECTORS

Mr David Archer – Executive Chairman
 Dr Susan Vearncombe – Managing Director
 Mr Michael Elias – Non-Executive Director
 Mr James Harris – Non-Executive Director
 Mr Gavin Wendt – Non-Executive Director

COMPANY SECRETARY

Mr Simon Robertson

REGISTERED AND PRINCIPAL OFFICE

15 Ogilvie Road
 Mt Pleasant 6153
 Western Australia

Telephone: +61 8 9316 0766

Facsimile: +61 8 9316 0799

Internet: www.silverswangroup.com.au

SHARE REGISTER

Security Transfer Registrars Pty Ltd

770 Canning Highway
 Applecross 6153 Western Australia

Telephone: +61 8 9315 2333

Facsimile: +61 8 9315 2233

SECURITIES EXCHANGE LISTING

Australian Securities Exchange Limited

Home Branch – Perth
 2 The Esplanade, Perth 6000
 Western Australia

ASX CODE

SWN – Fully paid ordinary shares

SWNO – \$0.07 Listed Options

SOLICITORS

Gilbert and Tobin

1202 Hay Street
 West Perth 6005
 Western Australia

AUDITOR

BDO Audit (WA) Pty Ltd

38 Station Street
 Subiaco 6008
 Western Australia

CHAIRMAN'S REPORT	2
EXPLORATION REVIEW & HIGHLIGHTS	3
LA CODOSERA	6
QUINNS	8
STAKEWELL	10
YAGAHONG	12
ABBOTTS	13
FINANCIALS	14
INDEPENDENT AUDITOR'S REPORT	65
ASX ADDITIONAL INFORMATION	67



DEAR SHAREHOLDER,

The last year has been an important year of transition for the Company which has included a number of changes of emphasis and new initiatives.

These changes are designed to leverage off the deep exploration and resource development skills that differentiate the Company from many of its peers. The changes also reflect the Company's conviction of the attractiveness of a number of relatively under-appreciated geographies for the discovery of new orebodies. We sometimes forget that the discovery of new orebodies remains one of the most extraordinary techniques of wealth-creation.

First, and as part of the new geographical strategy, there has been a reduction in emphasis around the Company's Meekatharra projects. The Company is evaluating what is the best course of action for these projects.

Second, we have focussed on Spain as a key geography which exhibits excellent and probably under-appreciated exploration potential. In March this year, we farmed into La Codosera Gold Project in Western Spain. We can earn up to an 80% interest by spending up to AUD\$3.0M over five years. La Codosera Project is an excellent example of the sort of opportunity that is available in Spain, a country with a long history of mining but relatively lightly explored in a contemporary sense. Silver Swan brings significant know-how to the challenge.

Third, and whilst not particularly apparent, there has been a large amount of activity around new business development and it is hoped that some of these initiatives will bear fruit over coming months.

Fourth, to underwrite these new thrusts, Silver Swan sought to strengthen its balance sheet with a fully underwritten rights issue. This raised a total of \$2.1M cash before expenses of the issue and, on behalf of the Board, I thank our shareholders for their support. More recently, we announced a \$1.4M placement at a premium to the rights issue pricing.

Finally, there have been a number of board changes during the year. I am delighted to have been offered the opportunity to join the board as Executive Chairman to carry on the strong chairmanship provided by Mr James Harris. In addition, I am enjoying assisting the strong team that our Managing Director, Dr Susan Vearncombe, has developed. At the same time, Paul Trettel resigned after 6 and a half years of excellent service as a founding director of the Company.

I think shareholders can look forward to an exciting year with exploration and drilling underway in Spain and the announcement of new and exciting business initiatives.

Yours truly,



David Archer
Executive Chairman

Silver Swan Group Limited (SWN) is a gold and base metal explorer with tenements in the Extremadura region of Western Spain (Fig. 1a) and in the Murchison Province of Western Australia (Fig. 1b). Total tenement holdings comprise ~ 700km².

Silver Swan Group made a corporate decision in 2011 to consider gold and base metal exploration in offshore jurisdictions where there is currently less competition but far greater opportunity for high quality and advanced level exploration projects in relatively low risk regions. The Company has targeted Spain and Portugal, both countries with past and present mining histories and world class metal deposits. The Pyrite Belt in the south-western part of Spain and Portugal is host to some of the world's largest copper-zinc (volcanogenic massive sulphides) deposits, and Galicia and the Asturias for >1Moz gold deposits. Renewed exploration interest has seen the discovery and recent opening of the copper rich Las Cruces VMS mine, probable re-opening of the Rio Tinto Mine and Silver Swan's joint venture partner, Astur Gold (La Codosera), is approaching development of its 1.6Moz gold deposit in Galicia.

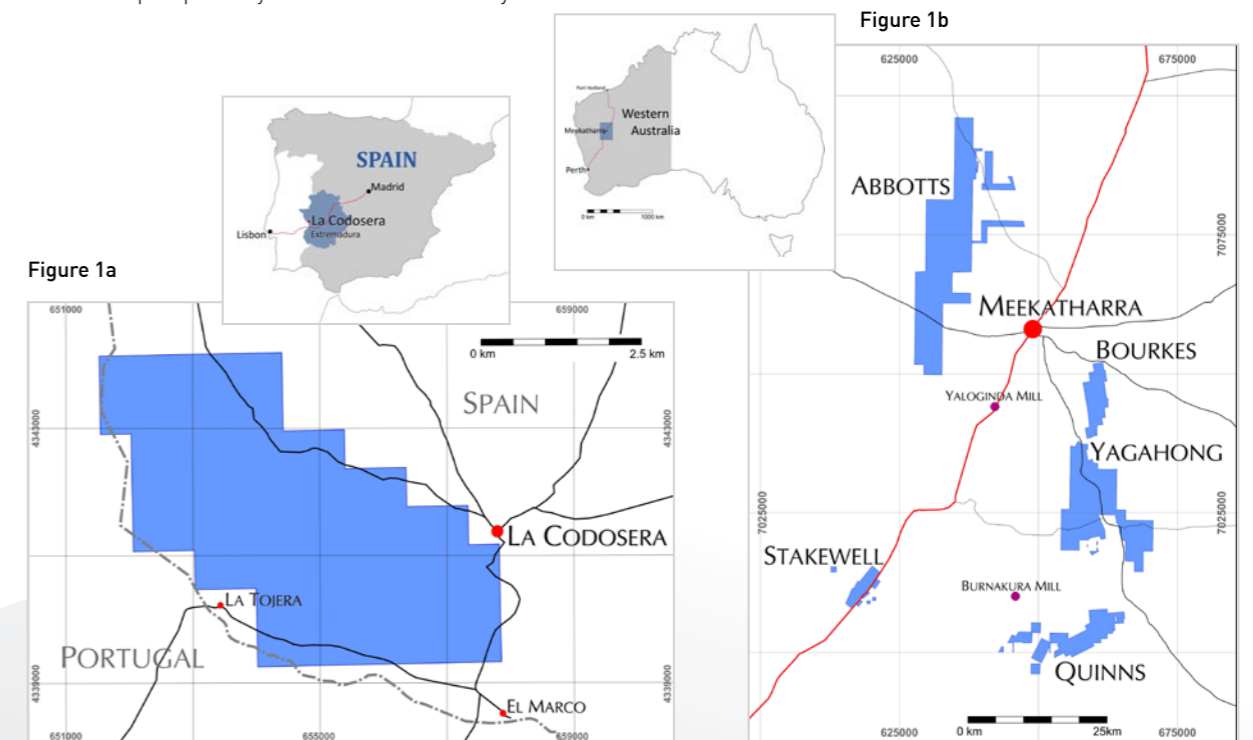
Silver Swan has developed a substantive spatial database on gold and base metal projects across Spain, as well as prospectivity and multi-fractal analysis for

Cu-Zn (VMS) mineralisation across the Pyrite Belt. The Company is well positioned in targeting specific areas for project acquisition.

The Company entered into a joint venture with Astur Gold on March 30, 2012 over La Codosera – a slate-belt hosted gold project in the north-western part of the autonomous region of the Extremadura, Spain. This region also hosts antimony-gold deposits, shear-zone hosted gold, placers and lead-zinc mineralisation. Silver Swan has advanced exploration at La Codosera and at time of writing has nearly completed a substantive (2000 sample) auger-soil programme. The company has partly completed a 14-hole diamond drilling programme.

Silver Swan continued to explore volcanogenic massive sulphide mineralisation (Cu-Zn) in the northern Quinns area, Meekatharra, intersecting massive sulphides, in particular zinc mineralisation with subordinate copper at the Flinders prospect. Further drilling guided by down-hole geophysics and geochemistry failed to find a copper-rich feeder zone to this mineralisation. The Tasman prospect remains a target area to be drilled after multi-element geochemistry highlighted several areas of strong alteration and geophysical anomalies.

The Company has successfully raised a total of \$3.5M in 2012, maintaining a good operating cash balance and active exploration programme.



2011

July	Stakewell: Compilation and 3D modelling of historic underground mine data completed, along with detailed structural mapping of the near-mine area to generate RC drilling targets.
August	Quinns: Detailed mapping, geochemistry & geophysics programmes. Flinders & Murchison Wonder geophysical data delivers additional drill targets.
September	Stakewell: 10 hole RC drilling programme returns intersections including: 8m@3.04g/t Au, & 17m@0.63g/t Au (11SWRC014) and 10m@1.05g/t Au (11SWRC013) highlighting the potential for near surface and oxide hosted gold near the historic Kohinoor Pit. Abbotts: Layered igneous intrusive complex assessed for V/Ti, Ni/PGE & Au prospectivity. Au & Cu-Au defined as priority future exploration targets.
October	Quinns: 9-hole diamond drilling programme completed at Flinders and Murchison Wonder with results including: 7m @ 6.41% Zn (11FLRCD003), and 1m @ 9.73g/t Au (11FLRCD007).
November	Stakewell: 13-hole RC drilling programme confirms oxide gold potential at Stakewell, with intersections including 17m @ 1.1g/t Au and high-grade gold to 4m @ 6.3g/t Au.
December	Abbotts: Large multi-element surface soil geochemistry exploration programme.

2012

January	Abbotts: surface sample geochemistry identifies open gold and base metal anomalies.
February	Bourkes Find: Detailed prospectivity review and target generation completed.
March	SWN signs JV agreement with Astur Gold to earn an 80% interest in La Codosera gold project in Western Spain.
April	Quinns: Major exploration geochemistry and mapping projects completed delivering multiple new highly ranked VMS exploration targets at Quinns. La Codosera: 6 week geological mapping and sampling campaign.
May	Quinns: Additional ground EM geophysics acquisition (Flinders, Tasman & Murchison Wonder). Abbotts: Follow-up soil sampling defines extended gold in soil anomalies requiring further sampling to define their full extent.
June	Quinns: Major moving loop EM survey comprising 26.1 line km of surveys over four prospects. La Codosera: Geological mapping & sampling campaign – walk up drill targets identified, with a 13-hole diamond drilling programme designed for Monteviejo and Los Bastos.
July	Quinns: EM surveys define high priority conductors at Flinders, Murchison Wonder & Tasman. 2 diamond drill holes were completed at Flinders. Semi-massive and disseminated sulphides intersected, however the holes failed to intersect economic thicknesses of base metal sulphides. La Codosera: Regional Au auger soil sampling programme commenced (~2000 samples). Fully underwritten Rights Issue for \$2.1M
August	La Codosera: 1108 auger soil samples collected by month end, with a peak Au in soil value of 21.6 g/t Au. 3 diamond drill holes totalling 293m completed at Monteviejo with results pending and drilling on-going to ~mid-October. Quinns: 2 diamond holes tested a strong EM conductor at Murchison Wonder. Disseminated & stringer sulphides were intersected, coincident with EM conductor plates; however the hole failed to intersect economic base metal sulphides. Abbotts: Follow-up soil sampling with a total of 1182 surface soil & rock chip samples collected defining several high continuity linear Au in soil anomalies for follow-up RAB drilling. Yagahong: Reconnaissance surface soil sampling programmes completed, focussing on structurally controlled Au & Cu-Au mineralisation with 830 surface soils and rock chip samples collected (results awaited).

SLATE-BELT STYLE GOLD MINERALISATION

La Codosera gold project is located in the northwest corner of the Province of Badajoz, in the Extremadura Autonomous region of Spain (Fig. 1a). The nearby village of La Codosera provides essential services and infrastructure and is 40km from the provincial capital Badajoz.



Typical scene of La Codosera landscape.

The project area comprises five mineral permits (Afra, Buenavista, Breña, Montevejo and Sierra Lugar) covering an area of 1,851 hectares (18.5km²). Silver Swan signed a Farm-In and Joint Venture Heads of Agreement with Canadian-listed Astur Gold Inc. on March 31st 2012. Silver Swan has committed to expend up to AUD\$3.0M for an 80% interest in the project, staged as \$1.5M expenditure to earn 51% and a further \$1.5M expenditure to earn 80% within a period of 5 years.

Silver Swan has completed an initial mapping and structural programme over La Codosera. Work currently in progress includes diamond drilling of 14 holes for approximately 1600m, focussed on the Montevejo and Los Bastos prospects and a grid-controlled auger soil programme covering much of the tenement area, collecting approximately 2000 samples (Fig. 2a). Results are pending.

The Extremadura region is one of the most famous historic gold districts in Spain and was mined by the Romans about 2,000 years ago. The Institute of Geology & Mining of Spain carried out sporadic exploration and drilling from 1984 to 1993. This drilling confirmed significant intersections of gold such as 10m @ 3.6g/t Au & 4.6m @ 2.3g/t Au; 8m @ 3.0g/t Au; 7.1m @ 2.7g/t Au; 4m @ 5.9g/t Au; 16m @ 1.5g/t Au.

Gold mineralisation at La Codosera is considered to be Slate Belt in style similar to Bendigo and Stawell but also has similarities to Telfer (Fig. 3) with saddle reefs, sheeted veins, brecciated shear zones, multiple vein phases, gold in quartzite wallrock and sulphidised tectonic graphite (Figs. 2b & 2c).

At La Codosera, there are at least eight (8) gold prospects as well as Roman hard rock and alluvial workings (Fig. 2a). The principal mineralised prospects within La Codosera are:

- 1. Montevejo & Los Bastos:** These prospects are faulted off-sets of the same mineralised zone extending for at least 1.6km. They contain Roman era workings exposing gold-bearing veins and breccias along the limbs and within the hinge zone of folded stratigraphy.
- 2. Barranchones (Big Ravines, Gully), El Cerro de los Algarbes & Casa La Niña:** These prospects lie to the south of Montevejo and comprise at least 2km of strike of gold workings. Barranchones contains the largest Roman open pits of >200 meters length and 50-100 meters wide from which gold in consolidated colluvium was mined.
- 3. La Perla de Anibal, Sierra La Breña & La Manzana de Oro:** These prospects straddle the eastern limb of a large anticlinal structure, and east of a thrust plane considered critical to the structural evolution of the area. Historic work has only looked at the area west of the thrust, whereas Roman pits straddle the eastern side of the thrust plane and form over 500m of strike containing quartz veining and brecciation. Gold is associated with these quartz veins returning grades to 9g/t Au.

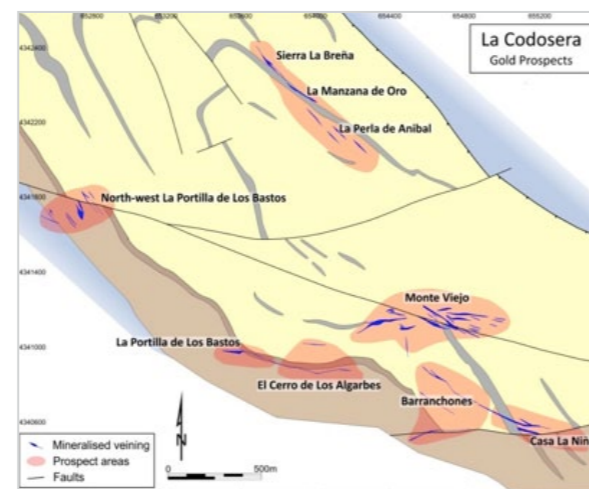


Figure 2a. La Codosera prospect areas showing vein systems in blue.



Figure 2b. An old working, veining and brecciation in the anticlinal hinge zone at Montevejo prospect.



Figure 2c. Veining and brecciation in recently drilled diamond core at Montevejo prospect.

COMPARING LA CODOSERA TO OTHER SIMILAR MINERALISED SYSTEMS.

	Similarities	Opportunities / Challenges	Differences
Witwatersrand	<ul style="list-style-type: none"> • Strong stratigraphic control on gold near but not in clean quartzites • Absence of quartz lodes • Folded and thrust • Quartzite-conglomerate-shale-chert sequence • Significant carbon horizon control • Pyrophyllite alteration 	<ul style="list-style-type: none"> • World-class deposits • Strong lithology-strata control • Black shale control • Relatively consistent grades • Deep stratigraphic potential 	<ul style="list-style-type: none"> • Long distance stratigraphic control • Age • Lack of intrusive granites
Telfer	<ul style="list-style-type: none"> • Thrust-fold antiform control on mineralisation in weak horizons • Quartzite-conglomerate-shale sequence intruded by granites 	<ul style="list-style-type: none"> • Repeated within core of antiform Stockwork in competent units 	<ul style="list-style-type: none"> • Copper at Telfer
Slate Belt	<ul style="list-style-type: none"> • Fold and fault control • Similar sequence • Similar age to Ballarat-Bendigo • Intrusive granites 	<ul style="list-style-type: none"> • Nuggety but very high grades 	<ul style="list-style-type: none"> • Quartz lodes in slate belts

Figure 3.

VOLCANOGENIC MASSIVE SULPHIDES

Quinns is located 55km south of Meekatharra covering a tenement area of ~45km². The Quinns district hosts the Austin VMS deposit defined by Silver Swan and several other occurrences of volcanogenic massive sulphides. Silver Swan continued exploration in the central and northern part of the Quinns project area, intersecting massive sulphide mineralisation at the Flinders and Murchison Wonder prospects.

In the reporting period, the Company:

- Drilled at Flinders, returning grades to 9.46% Zn, 9.73g/t Au, 0.77% Cu
- Completed a major multi-element geochemistry study using analyses from 1000 samples that identified new VMS targets at Tasman and refined existing targets at Flinders and Murchison Wonder. Other lower priority areas were also defined.
- Completed a tenement-wide structural mapping (1:5000 scale) programme and integrated with the geochemistry.
- Completed a substantial geophysical programme (ground EM) defining new drill targets across multiple prospects.

The presence of VMS hydrothermal cells at the Flinders and Murchison Wonder Prospects was confirmed by drilling during the year, with intersections of Zn and Cu-bearing massive and semi-massive sulphides at both prospects. Thirteen holes were drilled for a total

of 3,814m with notable intersections including 7m @ 6.41% Zn in 11FLRCD003. However, drilling to date has not delineated significant ore-grade intersections.

Major multi-element geochemistry, structural mapping and ground-based geophysics programmes (moving loop EM & down-hole EM) contributed to the identification of several new VMS targets as well as extensions to existing mineralised trends (Fig. 4a). Nine new EM conductors were identified several of which were coincident with surface geochemical anomalies. In addition to the main Flinders & Murchison Wonder prospects, two of these new target areas were drill tested during the period, intersecting VMS-related hydrothermal alteration and sulphides returning grades to 1.33g/t Au. Economic widths of base metal mineralisation were not intersected.

Several highly ranked geochemical and geophysical targets have been identified at Tasman and require drill testing. The Tasman prospect and the area east of Tasman (Tasman East) are important exploration targets. Alteration and geochemical gradients on the scale of the Nowthanna Hill area support the interpretation that the Tasman East area represents a proximal zone to a VMS-style hydrothermal system (evidence includes zonation in alteration minerals, geochemical gradients, overlying exposures of Cu-rich BIF-hosted gossan, and EM geophysical anomalies). At Flinders, gradients in geochemical pathfinder elements (Cu, Zn, Pb, Ag, As, Bi, Ga, Gd, S, Te, MgO, In) and alteration minerals suggest that VMS style mineralisation may thicken to the east of the eastern-most drill hole.

Quinns also hosts a previously reported maiden resource at Austin of 1.48Mt @ 1.02% Cu, 1.39% Zn, 0.24g/t Au, 3.31g/t Ag: (Measured 463,428t, Indicated 703,286t, Inferred 317,708t) which is amenable to open pit mining.

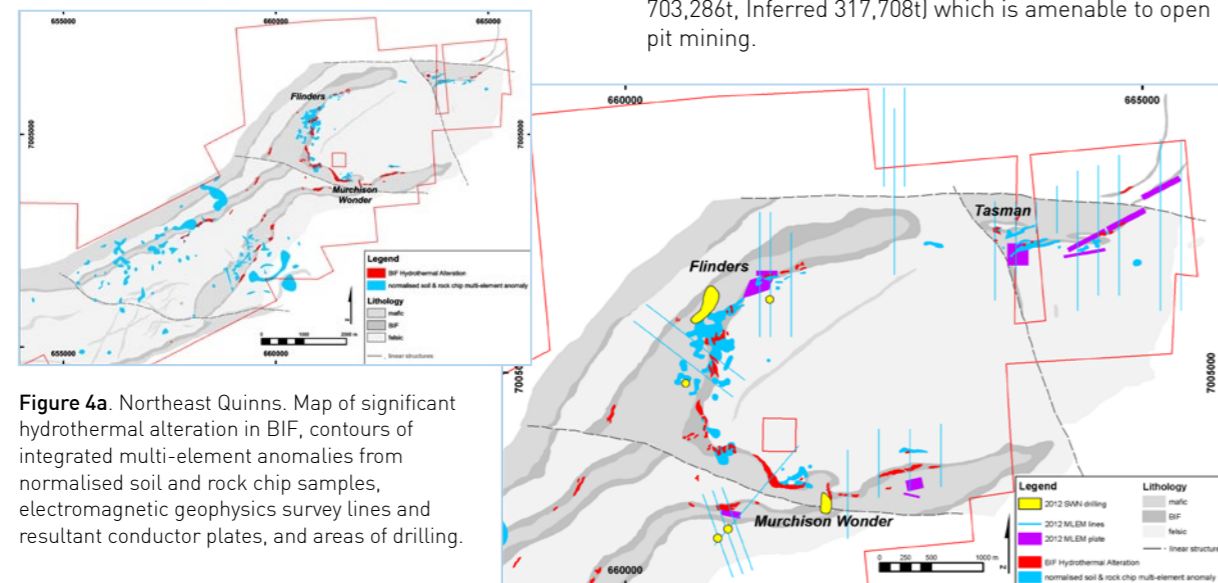


Figure 4a. Northeast Quinns. Map of significant hydrothermal alteration in BIF, contours of integrated multi-element anomalies from normalised soil and rock chip samples, electromagnetic geophysics survey lines and resultant conductor plates, and areas of drilling.

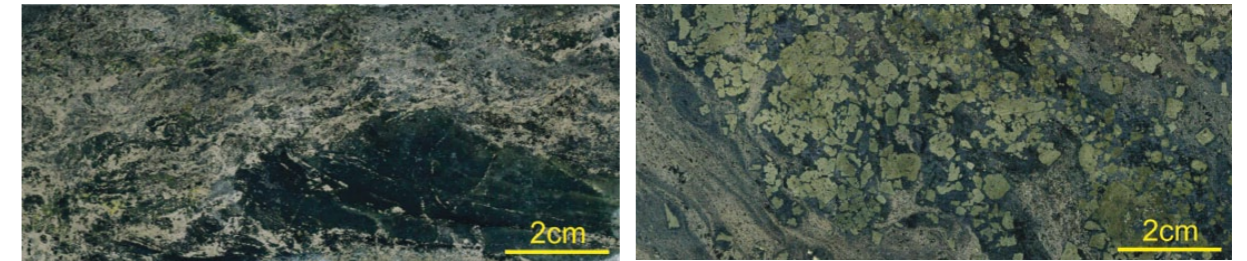


Figure 4b. Massive sulphide mineralisation intersected at Flinders.

QUINNS DRILLING

Hole ID	Easting	Northing	Azimuth	Dip	Depth	From (m)	Interval (m)	Cu (%)	Zn (%)	Au (g/t)
Flinders Prospect										
11FLRCD003	660901.5	7005765.2	120	-60	320.6	249	10	0.3		
						248	7		6.41	
11FLRCD004	660836.1	7005803.0	120	-60	444	337	6	0.31		
						333	5		1.25	
11FLRCD005	660811.8	7005603.9	120	-60	341.8	215	6	0.18		
						215	2		1.3	
						239	1		3.97	
11FLRCD006	660692.0	7005498.3	120	-60	368.6	252	8	0.29	1.22	
						259	1			1.4
11FLRCD007	660605.2	7004881.4	120	-60	183.2	49	3		0.12	
						58	5	0.14		
						85	1			9.73
12FLD008	660813.0	7005678.0	120	-60	337	259	2		1.53	
12FLD009	661383.8	7005733.3	330	-60	375.35	258	1			1.33
Murchison Wonder Prospect										
11MWRC003	661891.4	7003772.4	295	-60	244	135	1	0.11		
						136	6	0.05	1.01	
						145	1	0.13	0.46	
11MWRC004	661925.9	7003794.1	295	-60	225	154	3	0.13	0.6	
11MWRC005	661902.3	7003828.4	295	-60	219	131	3	0.14	2.9	
11MWRC006	661915.4	7003714.0	330	-60	95			NSR	NSR	
12MWD007	660996.0	7003520.0	10	60	354.2	199	1			1.09
12MWD008	660903.0	7003426.0	25	-50	315			NSR	NSR	NSR

LODE GOLD MINERALISATION

Stakewell is located 50km southwest of Meekatharra and comprises five mining leases covering 20km². Primary gold-bearing lodes are controlled by the interaction of banded iron formation (BIF) with high-angle cross-cutting faults and shearing in basaltic rocks. Oxide mineralisation is associated with sheared quartz veins and in the wallrock of weathered and altered basalts.

Silver Swan targeted further high-grade gold mineralisation near the old Kohinoor mine and oxide gold targets east of the old mine following successful drilling in early 2011 (Fig. 5a). Thirteen reverse circulation holes were drilled for a total of 980 metres. High-grade near surface gold mineralisation was intersected around the northern and eastern side of the Kohinoor pit, with a best high grade result of

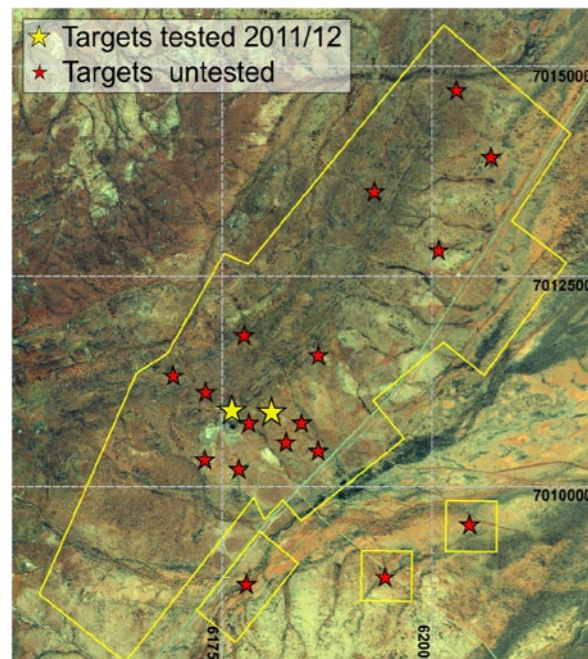


Figure 5a. Map of Stakewell. Yellow stars are the two principal areas of drilling for near-surface high grade gold north of the Kohinoor Pit and oxide gold east of the Pit. The red stars are oxide targets yet to be drilled.

4m @ 6.3g/t Au (Fig. 5b). The mineralisation is structurally controlled into steep WSW-plunging ore shoots. Ore shoots away from the main gold lode were not intersected at depth, but indicated shallow high-grade mineralisation north and east of the pit to about 20m depth. Near surface oxide gold targets delivered broad low grade gold intersections such as 17m and 8m @ 1g/t Au respectively with intervening high grade to 3.2g/t that remain open along strike and down dip (Fig. 5c).

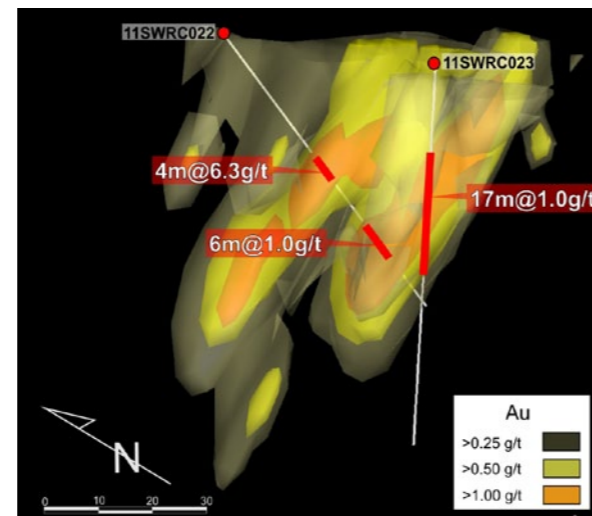


Figure 5b. 3D interpreted grade surfaces of high grade gold shoots in the north wall of the Kohinoor pit (view looking down towards the NE).

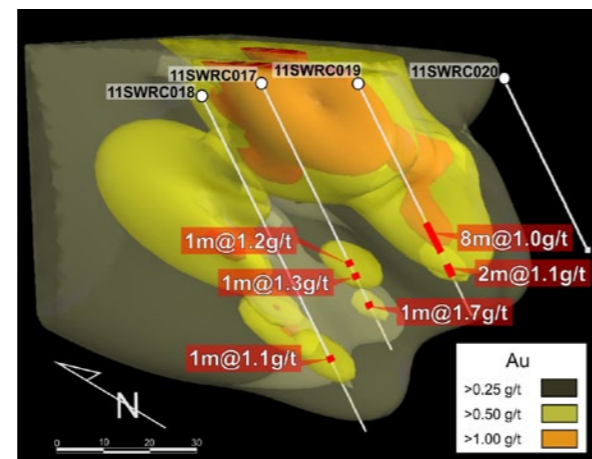
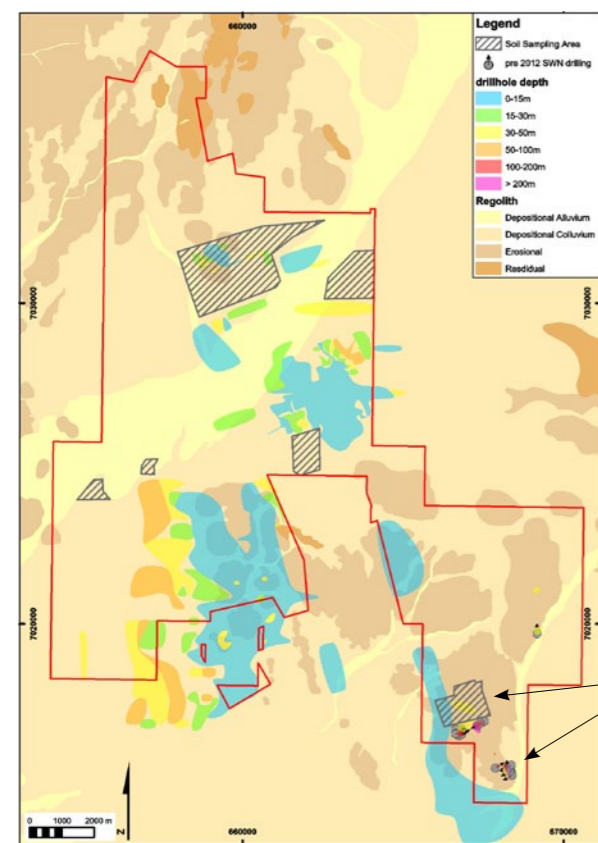


Figure 5c. 3D interpreted grade surfaces of oxide gold mineralisation ~500m East of the Kohinoor Pit. (view looking down towards the NE).

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

COPPER-GOLD MINERALISATION

Yagahong is located 35km south-east of Meekatharra and approximately 20km north-east of Quinns on the Sandstone Road. The tenement area was expanded to 166km² during the reporting period with the granting of 16 new Prospecting Licenses that form contiguous extensions north of the existing tenement package.



Silver Swan focussed its Yagahong exploration activities on areas under cover north of the previously explored areas of Copper Hills and Lady Alma (Fig. 6a). The emphasis this year has been on structurally controlled Au mineralisation across a much broader area in the central and northern parts of the tenement group, in areas of granite-margin strain and pressure shadows along with shear-zone hosted Cu-Au.

Surface soil sampling has been completed over six areas totalling 745 soil samples and 28 rock chips:

- North of Lady Alma to test areas under cover and where Silver Swan's previous drilling has intersected up to 6% Cu and up to 7g/t Au.
- North of the Gabanintha mine where historic RAB drilling returned highly anomalous gold results.
- Several areas in the NW & W of the tenement package marginal to a granite body with highly deformed margins and significant (>1g/t) gold anomalies in historic RAB drilling.
- North-eastern zone of complex structure and magnetic targets.

- 10LARC002: 7m @ 1% Cu, 2m @ 2.6% Cu, 1m @ 3g/t Au
- 10CHRC001: 3m @ 1.4% Cu,
- 10CHRC002: 3m @ 1.4% Cu & 5g/t Au, 2m @ 1.3% Cu, 2m @ 1.1%Cu
- 10CHRC004: 3m @ 2.5% Cu, 3m @ 2% Cu
- 10CHRC005: 3m @ 1.15% Cu, 2m @ 1.5% Cu
- 08CHD002: 4m @ 2.5% Cu & 1.6g/t Au

Figure 6a. Yagahong tenement group regolith map. The hatched areas depict 2012 surface sampling grids (assay results pending), while the coloured contours define areas of historic drilling and drill hole depth. Note: most blue and green areas relate to ineffective (shallow) drilling, and areas outside the contours have little if any drilling.

LODE GOLD MINERALISATION

Abbotts is located 30km north-northwest of Meekatharra and the tenement covers an area of 298km². Much of the area contains a large, structurally emplaced, thick on-end dismembered layered intrusion, bounded by mafic and felsic volcanic sequences and calc-silicate rocks.

Silver Swan has assessed the layered intrusion for potential copper-vanadium-nickel mineralisation, VMS mineralisation in the felsic and mafic sequences and is still assessing late-stage gold mineralisation in sheared sequences. Visual gold is present variously in outcropping quartz veins in the region and sulphides have been located within the more mafic parts of the intrusion.

The layered igneous intrusive complex was assessed for V-Ti, Ni-PGE & Au prospectivity given that several other intrusive sequences in the Meekatharra region host vanadium mineralisation within magnetite cumulates. A field reconnaissance and sampling programme was carried out across the intrusion. Whilst there were some indications of copper, the near vertical layered intrusive sequence showed no

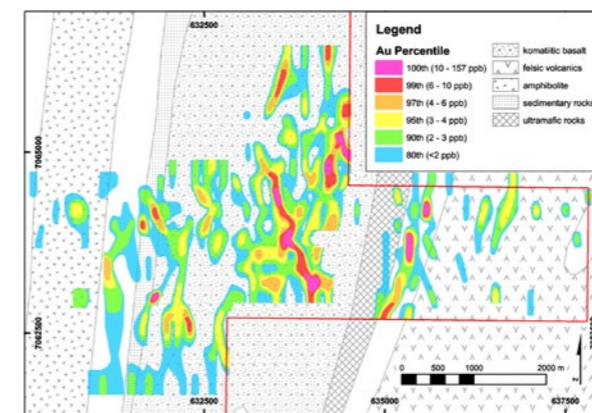


Figure 7a. 2km long coherent linear gold in soil anomaly in the southern part of the Abbotts tenement group. The anomalies are oblique to lithological trend and interpreted to be associated with gold bearing structures. These surface sample anomalies have never been drilled.

indication of V-Ti mineralisation, and limited potential for PGE occurrences. Focus was turned to structurally controlled Au & Cu-Au mineralisation (Figs. 7a & 7b). Surface soil sampling programmes identified three linear gold-in-soil trends. The soil programme covers about 10% of the Abbotts area, targeting gold and copper-gold mineralisation. Two of three coherent gold-in-soil anomalies extend for >2km. These zones are structurally controlled linear features that remain open along strike. The anomalies have not, as yet, been drill tested.

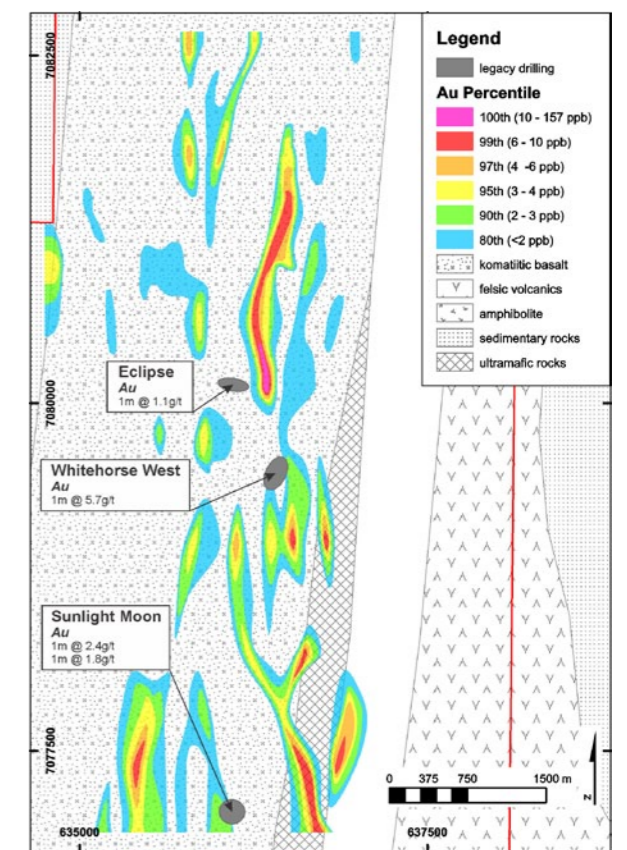


Figure 7b. Significant 5km long anomalous gold in surface soils trend in the central northern part of the Abbotts tenement group. Isolated lines of historic RAB [Eclipse, Whitehorse West & Sunlight Moon prospects] do not effectively test any of the the newly defined Au in soil anomaly peaks, however numerous holes near the peak soil anomalies report grades >1g/t Au.

The Directors of Silver Swan Group Limited present their report on "the Company" or "Silver Swan" for the year ended 30 June 2012.

DIRECTORS

The names of directors in office at any time during or since the end of the financial year are:

Mr David Archer (appointed 9 December 2011)

Dr Susan Vearncombe

Mr Michael Elias

Mr James Harris

Mr Gavin Wendt (appointed 1 July 2011)

Mr Paul Trettel (resigned 31 December 2011)

Unless otherwise indicated, all Directors held their positions from the beginning of the year to the date of this report.

QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES OF DIRECTORS

David Archer B.EC., DIP.LAWS (BAB), F. AUS IMM.

Executive Chairman (appointed 9 December 2011)

Mr Archer has held executive and non-executive roles in a number of Australian and international companies. He founded Savage Resources Limited in 1985. Savage's portfolio included the Ernest Henry copper gold mine in North West Queensland, the Liddell coal mine in the Hunter Valley in NSW and zinc mining and smelting operations in the United States. He founded and was executive Chairman of PowerTel Limited until 1998. More recently, Mr Archer was a director of Eastern Star Gas Limited, a coal seam gas developer, and Managing Director of Hillgrove Resources Limited, an Australian copper producer, from 2003 to 2010. He is a barrister (non-practising) of the Supreme Court of New South Wales and a Fellow of the Australasian Institute of Mining and Metallurgy.

Mr Archer is a non-executive Chairman of Crusader Resources Limited. Other than the above, Mr Archer does not currently hold any directorships of other listed companies, nor has he done in the past three years.

Susan Vearncombe, B.SOC.SCI, MSC (HONS), PHD, RPGeo, MAIG
Managing Director

Dr Vearncombe is a geologist with 25 years experience in the mining/exploration industry and has worked internationally in Australasia, Africa, Indonesia, North and South America on a range of geological environments and mineralised systems. Dr Vearncombe also is well published in international journals and developed key spatial analysis technology.

Dr Vearncombe is a non-executive Director of Straits Resources Limited. Other than the above, Dr Vearncombe does not currently hold any directorships of other listed companies, nor has she done in the past three years.

Michael Elias, BSC (HONS), FAUSIMM, CPGeo
Non-Executive Director

Mr Elias is a geologist with more than 35 years' experience in the mining industry including working in senior management positions with WMC Resources Ltd and at the Geological Survey of WA.

Mr Elias is currently a director of Australian Mines Limited. Mr Elias was previously a director of ECR Minerals plc and Braemore Resources plc and does not currently hold any directorships of other listed companies, nor has he done in the past three years.

JAMES HARRIS, FAICD
Non-Executive Director

Mr Harris has had extensive experience in both government and private enterprise in Australia and overseas. He worked for ten years with both Alcoa of Australia and the United Group Limited. His qualifications are in Legal Studies and Public Administration and he is a Fellow of the Australian Institute of Company Directors. He is currently a Director of Swanline Developments Pty Ltd and its associated companies. Mr Harris does not currently hold any directorships of other listed companies, nor has he done in the past three years.

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.

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 which he is undertaking to qualify as a Competent Person as defined in the JORC Code [2004].

Gavin Wendt, BBUS

Non-Executive Director – appointed 1 July 2011

Mr Wendt has had two decades specialising in research and evaluation of Australian and international mining and energy companies. He has a thorough understanding of the resources sector and resource companies and has worked with both resource and financial sector management. He has been consistently voted one of Australia's top mining analysts. Gavin is experienced in corporate advisory and strategic advice, and capital raisings.

Mr Wendt does not currently hold any directorships of other listed companies, nor has he done in the past three years.

Paul Trettel, B.COMM. (PROPERTY)

Non-Executive Director (resigned 31 December 2011)

Mr Trettel holds a Bachelor of Commerce degree. He has worked for Swanline Developments Pty Ltd, a private company, since its inception in 1998 where he currently holds the position of director. He has extensive experience in all aspects of the property and small business arenas, specialising in property marketing, development feasibility and project management. He is also a director of Kings Park Capital Pty Ltd, a boutique investment group. Mr Trettel does not currently hold any directorships of other listed companies, nor has he done in the past three years.

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

	Interest in Securities at the date of this Report		
	Shares	Listed Options	Unlisted Options
David Archer	1,350,000	-	3,000,000
Susan Vearncombe	1,062,634	177,106	4,000,000
James Harris	1,975,001	329,167	700,000
Michael Elias	150,000	25,000	1,700,000
Gavin Wendt	-	-	1,000,000

SIMON ROBERTSON B. BUS MAPP FIN.

Company Secretary

Mr Robertson gained a Bachelor of Business from Curtin University in Western Australia and Master of Applied Finance from Macquarie University in New South Wales. He is a member of the Institute of Chartered Accountants and the Chartered Secretaries of Australia. Mr Robertson currently holds the position of Company Secretary for a number of publically listed companies and has experience in corporate finance, accounting and administration, capital raisings and ASX compliance and regulatory requirements.

PRINCIPAL ACTIVITIES

The principal activities of the Company during the financial year were the exploration of mineral tenements in Spain and Western Australia.

DIVIDENDS

No dividends have been declared, provided for or paid in respect of the year ended 30 June 2012.

REVIEW OF OPERATIONS AND ACTIVITIES**Summary Review of Activities**

Silver Swan Group Limited is a poly-metals explorer domiciled in Perth, Australia and listed on the Australian Securities Exchange (ASX:SWN). Key projects cover tenement holdings of ~700km², in an area of excellent cultural and mining infrastructure and low sovereign risk in the Murchison District of the Yilgarn Craton, Western Australia and La Codosera gold project located close to the Portuguese border in the north western-most part of the Badajoz Province of Spain.

The Company's focus is on volcanogenic massive sulphide, copper-gold and lode-gold (VMS: Cu-Zn-Ag-Au; Cu-Au & Au respectively) mineralisation in Archaean terrains and high grade gold mineralisation. The Company has 100% interest in the Abbotts, Bourkes Find, Quinns, Stakewell and Yagahong projects (collectively "the Meekatharra projects, in Western Australia").

During the year the Company entered into a Heads of Agreement with Canadian listed Astur Gold (TSX-V: AST) with respect to La Codosera Gold Project and earning up to an 80% equity interest upon expenditure of \$3 million. La Codosera comprises five mineral tenements covering an area of 1,851 hectares (18.5km²), located 40km from the provincial capital of Badajoz, in the Extremadura region of western Spain.

During the year ended 30 June 2012, Silver Swan Group Limited has focused activities primarily on the Stakewell and Flinders project areas and the La Codosera project in Spain. These activities included:

- Auger drilling at La Codosera
- 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
- Five diamond drill-hole tails at the Flinders and Flinders South prospects at the Quinns VMS project testing a series of geophysical conductors.

- The company completed a substantial multi-element geochemical programme over the Quinns North area and of drillcore from Austin and Robert; and
- Two long, gold in soil anomalies were outlined in Abbotts.

The company's future activities will focus on completing a regional auger survey and diamond drilling over the La Codosera gold project in Spain and the development of new business opportunities.

CORPORATE AND FINANCIAL POSITION

The Company's net loss from operations for the year was \$5,408,888 (2011: \$6,403,919).

At 30 June 2012 the Company had a cash balance of \$2,505,165 (2011: \$2,647,415).

BUSINESS STRATEGIES AND PROSPECTS

The Company currently has the following business strategies and prospects over the medium to long term:

- Seek to maximise the value of the Company through successful exploration activities;
- Expand the Company's portfolio of exploration assets; and
- Continue to examine other new business development opportunities in the mining and resources sector.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company during the period.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The Company announced on 2 July 2012 a non-renounceable pro rata offer to eligible shareholders on the basis of 1 new share for each 2 shares held, as an issue price of \$0.032 together with one free attaching option for every 2 new shares subscribed for. The offer was underwritten and completed on 27 August 2012, raising \$1.9m net of costs. Under the pro rata offer, 65,782,536 shares and 32,891,269 listed options (Exercise price \$0.07 Expiry 15 June 2015) were issued. In accordance with the terms of the Underwriting agreement, Cygnet Capital were issued 7,000,000 Listed Options (Exercise price \$0.07 Expiry 15 June 2015) on completion of the pro rata offer. These listed options were issued on 27 August 2012.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR (CONTINUED)

On 16 July, 2012, the Company incorporated a cooperative company in the Netherlands, Caravel Resources Netherlands Cooperatief U.A. "Caravel". The Company holds a 99.999% interest in Caravel. Caravel holds a 100% interest in Spanish Company, Recursos Minerales Caravel Espana S.L. ("Recursos"). Recursos was incorporated on 19 July 2012.

On 27 September 2012, the Company announced 40 million shares are to be issued at a price of \$0.035 per share with one free attaching listed option for every two new shares issued. The listed options have an exercise price of \$0.07 and an expiry date of 30 June 2015. This share issue will raise approximately \$1.4 million before costs.

Other than the above, at the date of this report there are no other matters or circumstances, which have arisen since 30 June 2012 that have significantly affected or may significantly affect:

- (i) the operations in financial years subsequent to 30 June 2012 of the Company;
- (ii) the results of those operations in financial years subsequent to 30 June 2012 of the Company; or
- (iii) the state of affairs in financial years subsequent to 30 June 2012 of the Company.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company's operations are subject to various environmental laws and regulations under the relevant government's legislation. Full compliance with these laws and regulations is regarded as a minimum standard for all operations to achieve.

Instances of environmental non-compliance by an operation are identified either by external compliance audits or inspections by relevant government authorities. There have been no significant known breaches by the Company during the financial period.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

It is the Board's current intention that the Company will seek to progress exploration on current projects. The Company will also continue to examine new opportunities in the mining and resources sector.

These activities are inherently risky and there can be no certainty that the Company will be able to successfully achieve the objectives.

GREENHOUSE GAS AND ENERGY DATA REPORTING REQUIREMENTS

The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use. The directors have assessed that there are no current reporting requirements, but may be required to do so in the future.

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's directors held during the period ended 30 June 2012, and the number of meetings attended by each director.

	Board Meetings Number eligible to attend	Board Meetings Number attended
Current Directors		
David Archer	5	5
Susan Vearncombe	9	9
Michael Elias	9	9
James Harris	9	9
Gavin Wendt	9	8
Paul Trettel (resigned 31 December 2011)	4	4

INSURANCE OF OFFICERS AND AUDITORS

During or since the end of the financial year the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The Company has paid premiums to insure each of the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The amount of the premium was \$8,236 (2011:\$ 8,380) exclusive of GST.

SHARE OPTIONS ON ISSUE AT THE DATE OF THIS REPORT

Unissued Shares

At the date of this report, the unissued ordinary shares of Silver Swan Group Limited under option are as follows

Grant Date	Expiry Date	Exercise Price	Number under option
23 April 2008	31 March 2013	\$0.20	1,000,000
23 April 2008	31 March 2013	\$0.30	1,000,000
23 April 2008	31 March 2013	\$0.50	1,000,000
23 April 2008	31 March 2013	\$0.20	750,000
23 April 2008	31 March 2013	\$0.30	750,000
5 September 2008	31 August 2013	\$0.75	350,000
30 November 2009	15 December 2012	\$0.60	750,000
30 November 2009	15 December 2012	\$0.75	600,000
17 November 2010	15 December 2013	\$0.42	2,535,000
14 September 2011	8 September 2013	\$0.175	10,000,000
21 November 2011	21 November 2014	\$0.20	500,000
21 November 2011	21 November 2014	\$0.30	500,000
1 March 2012	28 February 2015	\$0.10	3,000,000
21 March 2012	20 March 2015	\$0.10	700,000
26 March 2012	25 March 2015	\$0.10	150,000
18 May 2012	17 May 2015	\$0.10	400,000
13 August 2012	15 June 2015	\$0.07	5,017,922
27 August 2012	15 June 2015	\$0.07	34,873,347
			63,876,269

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

Shares issued as a result of the exercise of options

During the financial year, employees and executives did not exercise any options to acquire ordinary shares.

NON-AUDIT SERVICES

The Directors are satisfied that the provision of non-audit services during the period ended 30 June 2012 by the auditor (BDO Audit (WA) Pty Ltd ("BDO")) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001, as:

- (i) There were no non-audit service provided during the year; and

- (ii) Details of amounts paid or payable to the auditor for non-audit services provided during the period by the auditor are outlined in Note 23 to the Financial Statements.

Based on the above, the Board is satisfied that the nature and scope of the non-audit service provided did not compromise the auditor's independence.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is on page 32 of this Annual Report.

This Remuneration Report outlines the director and executive remuneration arrangements of the Company in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report Key Management Personnel (KMP) of the Company are defined as those persons having the authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company. Based on this definition the KMP of Silver Swan Group Limited are the directors.

DETAILS OF KEY MANAGEMENT PERSONNEL

Directors	
Mr David Archer	Executive Chairman <i>(appointed 9 December 2011)</i>
Dr Susan Vearncombe	Managing Director
Mr Michael Elias	Non-Executive Director
Mr James Harris	Non-Executive Chairman
Mr Gavin Wendt	Non-Executive Director <i>(appointed 1 July 2011)</i>
Mr Paul Trettel	Non-Executive Director <i>(resigned 31 December 2011)</i>

There were no changes in KMP after the reporting date and before the date the annual report was authorised for issue.

REMUNERATION PHILOSOPHY

The performance of the Company depends upon the quality of its Directors and Executives. To prosper, the Company must attract, motivate and retain highly skilled Directors and Executives.

To this end, the Company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives; and
- Link executive rewards to shareholder value.

Due to the early stage of development which the Company is in, shareholder wealth is directly affected by the Company share price, as the Company is not in

a position to pay dividends. By remunerating Directors and Executives in part by share based payments, the Company aims to align the interests of Directors and Executives with Shareholder wealth, thus providing individual incentive to perform and thereby improving overall Company performance and associated value.

As the Company has only been incorporated since June 2006 and is in the development stage of an inherently risky industry, the remuneration policy does not currently take into account current or prior year earnings. Other than share based payments made to the directors from time to time, there is no specific link to the Company's performance and directors' remuneration.

REMUNERATION STRUCTURE

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-executive Director Remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors to the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate directors' fees payable to non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. Shareholders' have approved aggregate directors' fees payable of \$300,000 per year.

The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. Fees for non-executive directors are not linked to the performance of the Company or shareholder wealth. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and subject to shareholder approval, have received options. This effectively links directors' performance to the share price performance and therefore to the interests of shareholders.

For this reason there are no performance conditions prior to grant, but instead an incentive to increase the value to all shareholders.

REMUNERATION STRUCTURE (CONTINUED)

Non-executive Director Remuneration (continued)

During the financial year ended 30 June 2012, there were 500,000 \$0.20 options expiring 21 November 2014 and 500,000 \$0.30 options expiring 21 November 2014 granted to a Non-executive Director. During the financial year ended 30 June 2011, there were 1,350,000 \$0.42 options expiring 15 December 2013 granted to Non-executive Directors.

All remuneration paid to Non-executive Directors is valued at cost to the Company and expensed.

The remuneration of non-executive directors for the years ended 30 June 2012 and 30 June 2011 is detailed in Tables 1 and 2 respectively on pages 22 and 23 of this report.

Executive Remuneration

Objective

The Company aims to reward executives (both directors and company executives) with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- Reward executives for Company performance;
- Align the interest of executives with those of shareholders; and
- Ensure total remuneration is competitive by market standards.

Structure

The remuneration policy for executives is to provide a fixed remuneration component and a specific equity related component. The board believes that this remuneration policy is appropriate given the stage of development of the Company and the activities which it undertakes and is appropriate in aligning director objectives with shareholder and business objectives.

The remuneration policy going forward in regard to setting the terms and conditions for the executive directors has been developed by the board taking into account market conditions and comparable salary levels for companies of a similar size and operating in similar sectors.

Fixed Remuneration

Objective

The level of fixed remuneration is set so as to provide a base level of remuneration.

Fixed remuneration is to be reviewed annually and the process consists of a review of company and individual performance, relevant comparative remuneration in the market and internal policies and practices.

Structure

Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

The remuneration policy going forward in regard to setting the terms and conditions for the executive directors has been developed by the board taking into account market conditions and comparable salary levels for companies of a similar size and operating in similar sectors.

The remuneration of executives for the years ended 30 June 2012 and 30 June 2011 are detailed in Tables 1 and 2 respectively on pages 22 and 23 of this report.

Variable Remuneration

Objective

The objective of variable remuneration provided is to reward executives in a manner which aligns this element of remuneration with the creation of shareholder wealth.

Structure

Variable remuneration may be delivered in the form of options or cash bonus. No cash bonuses were granted during the year ended 30 June 2012 or in the prior year.

During the financial year ended 30 June 2012, there were 3,000,000 \$0.10 options expiring 28 February 2015 granted to the Executive Chairman. During the financial year ended 30 June 2011, there were 500,000 \$0.42 options expiring 15 December 2013 granted to the Managing Director.

Executives receive a superannuation guarantee contribution required by the government, which is currently 9% and do not receive any other retirement benefit. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to executives is valued at cost to the Company and expensed.

EMPLOYMENT CONTRACTS
Managing Director

The employment conditions of the managing director, Dr Vearncombe, are formalised in a contract of employment with the current contract for a two year fixed term, which commenced on 1 March 2012. The total current remuneration package as at 30 June 2012 was \$350,000 per annum inclusive of a 9% superannuation contribution.

Notice of at least three months is required for either party to terminate the contract.

KEY MANAGEMENT PERSONNEL REMUNERATION
Table 1. Remuneration for the year ended 30 June 2012

	Short Term Salary, Fees & Commissions	Post- employment Superannuation	Share Based Payments Options	Total	Remuneration consisting of options
	\$	\$	\$	\$	%
Executive Directors					
David Archer ⁽²⁾	145,833	-	43,446	189,279	23%
Susan Vearncombe ⁽¹⁾	343,364	30,818	-	374,182	-%
Non-Executive Directors					
James Harris	44,044	3,964	-	48,008	-%
Paul Trettel ⁽³⁾	18,876	1,699	-	20,575	-%
Michael Elias	37,752	3,398	-	41,150	-%
Gavin Wendt ⁽²⁾	37,752	3,398	17,102	58,252	29%
Total	627,621	43,276	60,548	731,445	

(1) Includes unused annual leave paid out during the year.

(2) David Archer appointed 9 December 2011 and Mr Gavin Wendt appointed 1 July 2011.

(3) Mr Paul Trettel resigned 31 December 2011.

Executive Chairman

The employment conditions of the executive chairman, Mr Archer, are formalised in a contract of employment for a two year fixed term, which commenced on 5 December 2011. The total current remuneration package as at 30 June 2012 was \$250,000 per annum inclusive of a 9% superannuation contribution. Either party may terminate the contract with no notice period required.

KEY MANAGEMENT PERSONNEL REMUNERATION (CONTINUED)
Table 2. Remuneration for the year ended 30 June 2011

	Short Term Salary, Fees & Commissions	Post- employment Superannuation	Share Based Payments Options	Total	Remuneration consisting of options
	\$	\$	\$	\$	%
Executive Directors					
Susan Vearncombe	275,229	24,771	67,571	367,571	18%
Non-Executive Directors					
James Harris	48,033	4,323	60,814	113,170	54%
Paul Trettel	36,025	3,242	60,814	100,081	61%
Michael Elias	36,025	3,242	60,814	100,081	61%
Total	395,312	35,578	250,013	680,903	

Table 3. Compensation options – Granted and vested during the year

As discussed above under "Remuneration structure", options granted to Directors and other KMP are not linked to either individual performance or the performance of the Company, but are instead issued as an incentive to align the goals of Directors and other KMP with those of all shareholders.

There are no performance conditions prior to vesting and all options were issued for nil consideration.

2012	Granted		Terms & Conditions of each Grant:						
Name	Grant date	Number granted	Value per option at grant date	Exercise price per option	Expiry date	First exercise date	Last exercise date	Vested	Vested %
G Wendt	21-Nov-11	500,000	\$0.02	\$0.20	21-Nov-14	21-Nov-11	21-Nov-14	500,000	100%
G Wendt	21-Nov-11	500,000	\$0.014	\$0.30	21-Nov-14	21-Nov-11	21-Nov-14	500,000	100%
D Archer	1-Mar-12	3,000,000	\$0.027	\$0.10	28-Feb-15	1-Mar-12	28-Feb-15	1,000,000	33.3%
		4,000,000						2,000,000	

KEY MANAGEMENT PERSONNEL REMUNERATION (CONTINUED)

Table 4. Options Granted as part of remuneration 30 June 2012

2012								
Name	Number of options granted during the year	Value of options granted during the year	Number of options exercised during the year	Value of options exercised during the year	Number of options lapsed during the year	Value of options lapsed during the year	Percentage of options vested	Years in which unvested options will vest
D Archer	3,000,000	\$80,009	-	-	-	-	33%	2013 and 2014
S Vearncombe	-	-	-	-	-	-	-%	-
J Harris	-	-	-	-	-	-	-%	-
P Trettel	-	-	-	-	-	-	-%	-
M Elias	-	-	-	-	-	-	-%	-
G Wendt	1,000,000	\$17,102	-	-	-	-	100%	-

For details on the valuation of the options, including models and assumptions used, please refer to Note 20.

There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

There were no forfeitures or cancellations during the year.

The maximum grant, which will be payable assuming that all service criteria are met, is equal to the number of options granted multiplied by the fair value at the grant date. The minimum grant payable assuming that service criteria are not met is zero.

The plan rules contain a restriction on removing the "at risk" aspect of the instruments granted to executives. Plan participants may not enter into any transaction designed to remove the "at risk" aspect of an instrument before it vests.

Shares issued on exercise of compensation options

No compensation options were exercised during the year.

Use of Remuneration Consultants

The company did not use the services of any remuneration consultants during the year.

Voting and comments made at the company's 2011 Annual General Meeting

Silver Swan received less than 75% of "Yes" votes on its remuneration report for the 2011 financial year. Following the meeting and during the year, the Company has met with its major shareholders to discuss the company's direction and progress made in respect to the drilling and exploration during the year. Following the Annual General Meeting, the Board has appointed an Executive Chairman, Mr David Archer, who brings significant knowledge and experience to the Board.

END OF AUDITED REMUNERATION REPORT

Signed in accordance with a resolution of the directors.



David Archer
Chairman

Perth, 27 September 2012

The Board of Directors of Silver Swan Group Ltd (the "Company") is responsible for the governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

Since the introduction of the ASX Principles of Good Corporate Governance and Best Practice Recommendations ("ASX Guidelines"), the Company has made it a priority to adopt systems of control and accountability as the basis for the administration

of corporate governance. Some of these policies and procedures are summarised in this report. Commensurate with the spirit of the ASX Guidelines, the Company has followed each Recommendation where the Board has considered the Recommendation to be appropriate. Where, after due consideration, the Company's corporate governance practices depart from the Recommendations, the Board has offered full disclosure of the nature of, and reason for, the adoption of its own practice.

The table below summarises the Company's compliance with the Corporate Governance Council's Recommendations.

Recommendation	Comply Yes / No	Reference / Explanation
1.1 Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes	Page 27
1.2 Companies should disclose the process for evaluation of the performance of senior executives.	Yes	Page 30
2.1 A majority of the Board should be independent directors.	Yes	Page 27
2.2 The chairperson should be an independent director.	Yes	Page 27
2.3 The roles of chairperson and chief executive officer should not be exercised by the same individual.	Yes	Page 27
2.4 The Board should establish a nomination committee.	No	Page 31
2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes	Page 30
3.1 Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to: <ul style="list-style-type: none"> - the practices necessary to maintain confidence in the Company's integrity; - the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; - the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	Yes	Page 28
3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of the policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	No	Website and Page 31
3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity for the Board in accordance with the diversity policy and progress to achieving them.	No	Page 31

Recommendation	Comply Yes / No	Reference / Explanation
3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Yes	Page 30
4.1 The Board should establish an audit committee.	No	Page 31
4.2 Structure the audit committee so that it consists of: <ul style="list-style-type: none"> - only non-executive directors; - a majority of independent directors; - an independent chairperson, who is not chairperson of the Board; - at least three members. 	No	Page 31
4.3 The audit committee should have a formal charter.	No	Page 31
5.1 Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	Page 29
6.1 Design and disclose a communications strategy to promote effective communications with shareholders and encourage effective participation at general meetings and disclose their policy or a summary of that policy.	Yes	Website and Page 29
7.1 The Board or appropriate Board committee should establish policies on risk oversight and management.	Yes	Page 29
7.2 The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Yes	Page 30
7.3 Disclose whether the Board has received assurance from the CEO and CFO that the declaration provided in accordance with CA section 295A is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	Page 30
8.1 The Board should establish a remuneration committee.	No	Page 31
8.2 The remuneration committee should be structured so that it: <ul style="list-style-type: none"> - consists of a majority of independent directors - Is chaired by an independent chair - Has at least 3 directors 	No	Page 31
8.3 Clearly distinguish the structure of non-executive directors' remuneration from that of executives.	Yes	Refer Remuneration report

The Company's corporate governance practices were in place throughout the year ended 30 June 2012.

Further information about the Company's corporate governance practices is set out on the Company's website at www.silverswangroup.com.au in accordance with the recommendations of the ASX, information published on the Company's website includes charters (for the Board and its sub-committees), codes of conduct and other policies and procedures relating to the Board and its responsibilities.

ROLE OF THE BOARD AND MANAGEMENT

The Board represents shareholders' interests in developing and then continuing a successful business, which seeks to optimise medium to long-term financial gains for shareholders. By not focusing on short-term gains for shareholders, the Board believes that this will ultimately result in the interests of all stakeholders being appropriately addressed when making business decisions.

The Board is responsible for ensuring that the Company is managed in such a way to best achieve this desired result. Given the early development stage of this business, the Board currently undertakes an active, not passive role.

The Board is responsible for evaluating and setting the strategic directions for the Company, establishing goals for management and monitoring the achievement of these goals. The Managing Director is responsible to the Board for the day-to-day management of the Company.

The Board has sole responsibility for the following:

- Protection and enhancement of shareholder value.
- Formulation, review and approval of the objectives and strategic direction of the Company.
- Monitoring the financial performance of the Company by reviewing and approving budgets and monitoring results.
- Approving all significant business transactions including acquisitions, divestments and capital expenditure.
- Ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained.
- The identification of significant business risks and ensuring that such risks are adequately managed.
- The review of performance and remuneration of executive directors and key staff.
- The establishment and maintenance of appropriate ethical standards.
- Evaluating and, where appropriate, adopting with or without modification the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations.

The Board recognises the need for the Company to operate with the highest standards of behaviour and accountability.

The Company seeks to follow the best practice recommendations for listed companies as outlined in

the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations where appropriate for its size and the complexity of its operations.

As the Company's activities increase in size, scope and/or nature the Company's corporate governance principles will be reviewed by the Board and amended as appropriate.

COMPOSITION OF THE BOARD AND NEW APPOINTMENTS

The Company currently has the following Board members:

David Archer	Executive Chairman
Susan Vearncombe	Managing Director
Michael Elias	Independent Non-Executive Director
James Harris	Independent Non-Executive Director
Gavin Wendt	Independent Non-Executive Director

The Company's Constitution provides that the number of Directors shall not be less than three and not more than ten. There is no requirement for any share holding qualification.

The Board believes that the individuals on the Board can make, and do make, quality and independent judgements in the best interests of the Company on all relevant issues. The Board also requires the CEO and the Chairman roles be fulfilled by different individuals.

As the Company's activities increase in size, nature and scope, the size of the Board will be reviewed and the optimum number of Directors required for the Board to properly perform its assigned responsibilities and functions will be appointed.

The membership of the Board, its activities and composition are subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the Company's scope of activities, intellectual ability to contribute to Board duties and physical ability to undertake Board duties and responsibilities.

COMPOSITION OF THE BOARD AND NEW APPOINTMENTS (CONTINUED)

Directors are initially appointed by the full Board subject to election by shareholders at the next annual general meeting. Under the Company's Constitution the tenure of Directors (other than Managing Director, regardless of whether this is a joint or singular position) is subject to reappointment by shareholders not later than the third anniversary following their last appointment. Subject to the requirements of the *Corporations Act 2001*, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a Director. A Managing Director may be appointed for any period and on any terms the Directors think fit and, subject to the terms of any agreement entered into, the Board may revoke any appointment.

COMMITTEES OF THE BOARD

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees at this time including audit, remuneration or nomination committees preferring at this stage to manage the Company through the full board of Directors.

The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards.

The full Board currently holds meetings at such times as may be necessary to address any general or specific matters as required.

If the Group's activities increase in size, scope and nature, the appointment of separate or special committees will be reviewed by the Board and implemented if appropriate.

CONFLICTS OF INTEREST

In accordance with the *Corporations Act 2001* and the Company's Constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists the Director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

INDEPENDENT PROFESSIONAL ADVICE

The Board has determined that individual Directors have the right in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Company's expense. The engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably. If appropriate, any advice so received will be made available to all Board members.

ETHICAL STANDARDS

The Board acknowledges the need for continued maintenance of the highest standard of corporate governance practice and ethical conduct by all Directors and employees of the Company.

CODE OF CONDUCT FOR DIRECTORS

The Board has adopted a Code of Conduct for Directors to promote ethical and responsible decision making by the Directors. The Code is based on a Code of Conduct for Directors prepared by the Australian Institute of Company Directors.

CODE OF CONDUCT FOR DIRECTORS, OFFICERS, EMPLOYEES AND CONTRACTORS

The Company has established a Code of Conduct (Code) which aims to develop a consistent understanding of, and approach to, the desired standards of conduct and behaviour of the directors, officers, employees and contractors (collectively, the Employees) in carrying out their roles for the Company. Through this Code, the Company seeks to encourage and develop a culture of professionalism, honesty and responsibility in order to maintain and enhance its reputation as a valued employer, business operator and "corporate citizen". The Code is designed to broadly outline the ways in which the Company wishes to conduct its business. The Code does not cover every possible situation that Employees may face, but is intended to provide Employees with a guide to taking a commonsense approach to any given situation, within an overall framework.

DEALINGS IN COMPANY SECURITIES

The Company has established a Security Trading Policy that is provided to all Directors and employees on commencement.

The constitution permits directors to acquire shares or options in the Company. The Company's policy prohibits Directors from dealing in shares or options whilst in possession of price sensitive information not released to the public. Directors must notify the company secretary once they have bought or sold shares or options in the Company or exercised options over ordinary shares. In accordance with the provisions of the *Corporations Act 2001* and the Listing Rules of the Australian Securities Exchange, the Company on behalf of the directors must advise the Australian Securities Exchange of any transactions conducted by them in shares and / or options in the Company.

Disclosure of Information

DISCLOSURE OF INFORMATION POLICY

The Disclosure of Information Policy requires all executives and Directors to inform the Managing Director or the Company Secretary when the Managing Director is not available, of any potentially material information as soon as practicable after they become aware of that information.

Information is material if it is likely that the information would influence investors who commonly acquire securities on ASX in deciding whether to buy, sell or hold the Company's securities.

Information is not material and need not be disclosed if:

- a) A reasonable person would not expect the information to be disclosed or is material but due to a specific valid commercial reason is not to be disclosed; and
- b) The information is confidential; and
- c) One of the following applies:
 - i. It would breach a law or regulation to disclose the information;
 - ii. The information concerns an incomplete proposal or negotiation;
 - iii. The information comprises matters of supposition or is insufficiently definite to warrant disclosure;
 - iv. The information is generated for internal management purposes;
 - v. The information is a trade secret.

The Managing Director is responsible for interpreting and monitoring the Company's disclosure policy and where necessary informing the Board. The company secretary is responsible for all communications with ASX.

COMMUNICATION WITH SHAREHOLDERS

The Company's communication strategy requires communication with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Company. The strategy provides for the use of systems that ensure a regular and timely release of information about the Company is provided to shareholders. Mechanisms employed include:

- Announcements lodged with ASX;
- ASX Quarterly Cash Flow Reports;
- Half Yearly Report;
- Periodic presentations to investors;
- Presentations at the Annual General Meeting/ General Meetings; and
- Annual Report.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and understanding of the Company's strategy and goals.

Risk Management

OVERVIEW OF THE RISK MANAGEMENT SYSTEM

The Board adopts practices designed to identify significant areas of business risk and to effectively manage those risks in accordance with the Company's risk profile. This includes assessing, monitoring and managing operational, financial reporting, and compliance risks for the Company. The Company is not of a size nor are its affairs of such complexity to justify the establishment of a formal system for reporting risk management and associated compliance and controls. Instead, a director, in accordance with company policy, approves all expenditure, is intimately acquainted with all operations and reports all relevant issues to the other directors at the directors' meetings.

RISK PROFILE

The Company is not currently considered to be of a size, nor are its affairs of such complexity to justify the establishment of a separate Risk Management Committee. Instead, the board, as part of its usual role and through direct involvement in the management of the Company's operations ensures risks are identified, assessed and appropriately managed. Where necessary, the board draws on the expertise of appropriate external consultants to assist in dealing with or mitigating risk.

Major risks arise from such matters as actions by competitors, government policy changes, the robustness of the technologies being used or proposed to be used, environment, occupational health and safety, financial reporting and the purchase, development and use of information systems.

RISK MANAGEMENT, COMPLIANCE AND CONTROL

The board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities.

INTEGRITY OF FINANCIAL REPORTING

The Company's Managing Director and Chief Financial Officer (or equivalent) report in writing to the Board that:

- the financial statements of the Company for each half and full year present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with accounting standards;
- the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

ROLE OF AUDITOR

The Company's practice is to invite the auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

PERFORMANCE REVIEW

The Board has adopted a self-evaluation process to measure its own performance during each financial year. Also, an annual review is undertaken in relation to the composition and skills mix of the Directors of the Company.

Arrangements will be put in place by the Board to monitor the performance of the Company's executives to include:

- a review by the Board of the Company's financial performance; and
- annual performance appraisal meetings incorporating analysis of key performance indicators with each individual.

REMUNERATION ARRANGEMENTS

The Company's Remuneration Policy is set out in the Remuneration Report Section of the Director's Report, and is also included in the 2012 Financial Statements.

DIVERSITY

The Company recognizes the value contributed to the organization by employing people with varying skills, cultural backgrounds, ethnicity and experience. Silver Swan believes its diverse workforce is the key to its continued, growth, improved productivity and performance.

In line with the Corporate Governance recommendations, the Company has implemented a Diversity Policy which is available from the Company's website. Although the Company has a small workforce, the Company currently has a female Managing Director and one third of its workforce at 30 June 2012 was female. Other than the Managing Director, there are no females in senior management positions. This has been consistent during the year ended 30 June 2012.

The Company promotes an inclusive culture and has a zero tolerance of discrimination. No cases of discrimination were reported during the year. The company is supportive of flexible working arrangements. Due to the size of the company, working arrangements are dealt with on a case by case basis.

The Managing Director is responsible for the ongoing implementation of the diversity policy.

Compliance with ASX Corporate Governance Recommendations

During the Company's 2011/2012 financial year ("Reporting Period") the Company complied with the ASX Principles and Recommendations other than in relation to the matters specified below.

Principle No.	Best Practice Recommendation	Reasons for Non-compliance
2.4	A separate Nomination Committee has not been formed.	The Board considers that the Company is not currently of a size to justify the formation of a nomination committee. The Board as a whole undertakes the process of reviewing the skill base and experience of existing Directors to enable identification of attributes required in new Directors. Where appropriate independent consultants are engaged to identify possible new candidates for the Board.
3.2, 3.3	The Diversity Policy does not include measurable objectives for achieving gender diversity.	The Board considers due to the size of the Company setting of measurable diversity objectives is not appropriate. The company has minimal full time employees and utilises external consultants and contractors to complement the full time workforce as and when required.
4.1, 4.2, 4.3	A separate Audit Committee has not been formed.	The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of an audit committee. The Board as a whole undertakes the selection and proper application of accounting policies, the identification and management of risk and the review of the operation of the internal control systems.
8.1, 8.2	There is no separate Remuneration Committee.	The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of a remuneration committee. The Board as a whole is responsible for the remuneration arrangements for Directors and executives of the Company.

AUDITOR'S INDEPENDENCE DECLARATION



Tel: +8 6382 4600
Fax: +8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

27 September 2012

Board Members
Silver Swan Group Limited
15 Ogilvie Road
MOUNT PLEASANT WA 6153

Dear Sirs,

DECLARATION OF INDEPENDENCE BY BRAD MCVEIGH TO THE DIRECTORS OF SILVER SWAN GROUP LIMITED

As lead auditor of Silver Swan Group Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

BRAD MCVEIGH
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2012

	Note	2012 \$	2011 \$
Revenue	4(a)	261,357	287,797
Administration costs		(1,868,904)	(954,462)
Employee costs	4(b)	(1,400,552)	(1,499,938)
Exploration expenditure		(1,894,933)	(4,126,823)
Exploration expenditure written off	12	(422,505)	
Depreciation	11	(83,351)	(110,493)
Loss before income tax expense		(5,408,888)	(6,403,919)
Income tax expense	7	-	-
Loss from continuing operations after income tax expense and total comprehensive loss attributable to the owners of Silver Swan Group Limited		(5,408,888)	(6,403,919)
Basic and diluted loss per share (cents per share)	5	(4.39)	(8.17)

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION as at 30 June 2012

	Note	2012 \$	2011 \$
CURRENT ASSETS			
Cash and cash equivalents	8(a)	2,505,165	2,647,415
Trade and other receivables	9	6,771	118,734
Other current assets	10	3,098	6,449
Total Current Assets		2,515,034	2,772,598
NON-CURRENT ASSETS			
Plant and equipment	11	212,834	283,632
Exploration and evaluation expenditure	12	2,035,017	2,457,522
Total Non-Current Assets		2,247,851	2,741,154
TOTAL ASSETS		4,762,885	5,513,752
CURRENT LIABILITIES			
Trade and other payables	13	294,110	861,013
Provisions	14	40,953	51,392
Total Current Liabilities		335,063	912,405
TOTAL LIABILITIES		335,063	912,405
NET ASSETS		4,427,822	4,601,347
EQUITY			
Contributed equity	15	25,208,512	20,334,404
Reserves	16	2,067,071	1,705,816
Accumulated losses	17	(22,847,761)	(17,438,873)
TOTAL EQUITY		4,427,822	4,601,347

The Statement of Financial Position should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS for the year ended 30 June 2012

	Note	2012 \$	2011 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		182,244	287,797
Government grants		75,063	50,900
Payments to suppliers and employees		(2,094,311)	(1,199,819)
Payments for exploration and evaluation expenditure		(3,166,801)	(4,272,276)
Net cash used in operating activities	8(b)	(5,003,805)	(5,133,398)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for tenements and deposits		-	(200,000)
Payments for plant and equipment		(12,553)	(26,387)
Net cash used in investing activities		(12,553)	(226,387)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	15(b)	5,228,000	-
Share issue costs		(353,892)	-
Net cash inflow from financing activities		4,874,108	-
Net (decrease)/increase in cash and cash equivalents held		(142,250)	(5,359,785)
Cash and cash equivalents at the beginning of the financial year		2,647,415	8,007,200
Cash and cash equivalents at the end of the financial year	8(a)	2,505,165	2,647,415

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2012

	Issued Capital \$	Share Based Payments Reserve \$	Converted Options Reserve \$	Accumulated Losses \$	Total Equity \$
As at 1 July 2011	20,334,404	1,695,577	10,239	(17,438,873)	4,601,347
Net loss for the year	-	-	-	(5,408,888)	(5,408,888)
Total comprehensive loss for the year	-	-	-	(5,408,888)	(5,408,888)
Transactions with owners in their capacity as owners:					
Issue of shares, net	4,874,108	-	-	-	4,874,108
Value of share based payments	-	361,255	-	-	361,255
As at 30 June 2012	25,208,512	2,056,832	10,239	(22,847,761)	4,427,822

	Issued Capital \$	Share Based Payments Reserve \$	Converted Options Reserve \$	Accumulated Losses \$	Total Equity \$
As at 1 July 2010	20,189,404	1,288,801	10,239	(11,034,954)	10,453,490
Loss for the year	-	-	-	(6,403,919)	(6,403,919)
Total comprehensive loss for the year	-	-	-	(6,403,919)	(6,403,919)
Transactions with owners in their capacity as owners:					
Issue of shares, net	145,000	-	-	-	145,000
Value of share based payments	-	406,776	-	-	406,776
As at 30 June 2011	20,334,404	1,695,577	10,239	(17,438,873)	4,601,347

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

The annual report of Silver Swan Group Limited (the Company) for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the directors on 27 September 2012.

Silver Swan Group Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of operations and principal activities of the Company are described in the Directors' Report.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements are general purpose financial statements which have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared on a historical cost basis.

The financial report is presented in Australian dollars.

Compliance with IFRS

These financial statements comply with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

New Accounting Standards and Interpretations that are not yet mandatory

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods and have not yet been applied in the financial report. The Company's assessment of the impact of these new standards and interpretations is set out below.

- AASB 2011-6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets (effective for annual reporting periods beginning on or after 1 July 2012). Amendments made to AASB 7 Financial Instruments: Disclosures in November 2011, introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments are not

expected to have any significant impact on the Company's disclosures. The Company intends to apply the amendment from 1 July 2012.

- AASB 11 Joint Arrangements (effective for the annual reporting periods commencing on or after 1 January 2013). AASB 11 introduces certain changes to the accounting for joint arrangements. Joint arrangements will be classified as either joint operations (where parties with joint control have rights to assets and obligations for liabilities) or joint ventures (where parties with joint control have rights to the net assets of the arrangement). Joint arrangements structured as a separate vehicle will generally be treated as joint ventures and accounted for using the equity method. The Company is continuing to assess the impact of the standard.
- AASB 13 Fair Value Measurement (effective for annual reporting periods commencing on or after 1 January 2013). AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value on the balance sheet or disclosed in the notes to the financial statements. The Company is continuing to assess the impact of the standard.
- AASB 2011-9 Presentation of Financial Statements (effective for annual reporting periods commencing on or after 1 July 2013). AASB 101, amended in June 2012, introduces amendments to align the presentation items of other comprehensive income with US GAAP. The Company will apply the amended standard from 1 July 2013. When the standard is first adopted, there will be changes to the presentation of the statement of comprehensive income. However, there will be no impact on any of the amounts recognised in the financial statements.
- AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2011-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2011) (effective for annual reporting periods beginning on or after 1 January 2015). AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. The Company is continuing to assess its full impact.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Standards and Interpretations that are not yet mandatory (continued)

- AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2011-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from 1 July 2013). On 30 June 2011 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Silver Swan Group Limited is listed on the ASX and is not eligible to adopt the new Australian Accounting Standards - Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements of the entity.
- AASB 2010-8 Amendments to Australian Accounting Standards Deferred Tax: Recovery of Underlying Assets (effective from 1 January 2012). In December 2011, the AASB amended AASB 112 Income Taxes to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets and liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that is through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. The amendment is not expected to have any significant impact on Silver Swan's financial statements. The Company intends to apply the amendment from 1 July 2012.
- AASB 119 - Elimination of the 'corridor' approach for deferring gains/losses for defined benefit plans, actuarial gains/losses on remeasuring the defined benefit plan obligation/asset to be recognised in OCI rather than in profit or loss, and cannot be reclassified in subsequent periods, subtle amendments to timing for recognition of liabilities for termination benefits, and employee benefits expected to be settled (as opposed to due to settled under current standard) within 12 months after the end of the reporting period are short-term benefits, and therefore not

discounted when calculating leave liabilities. Annual leave not expected to be used within 12 months of end of reporting period will in future be discounted when calculating leave liability. This standard has no impact as there are no annual leave provision amounts that are non-current. Silver Swan will apply this from 1 July 2013.

Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised:

Interest

Interest revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying value amount of the financial asset.

Government Grants

Government grant revenue is measured at the fair value of the consideration received or receivable.

Income tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose on goodwill or in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against tax liabilities and the deferred tax liabilities relate to the same taxable entity and the same taxation authority.

Cash and cash equivalents

"Cash and cash equivalents" includes cash on hand, deposits held at call with financial institutions and other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any bank overdrafts.

Trade and other receivables

Trade receivables are initially recognised and carried at original invoice amount less provision for impairment. Trade receivables are due for settlement no more than 30 days from the date of recognition. A provision for impairment is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

Depreciation is calculated on either the straight-line basis or diminishing value basis over their useful lives to the Company commencing from the time the asset is held ready for use. The depreciation rates used are as follows:

Plant and equipment	30%
Exploration equipment	25%
Vehicles	30%
Leasehold improvements	25%
Computer equipment and software	40%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Derecognition

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Comprehensive Income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of assets

Silver Swan Group Limited conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Company as a lessee

Operating lease payments, where substantially all the risk and benefits remain with the lessor, are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

Trade and other payables

Trade and other payables are carried at amortised cost and represent liabilities for the goods and services provided to the Company prior to the end of the financial period that are unpaid and arise

when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days.

Provisions and employee benefits

Provisions are recognised when the Company has a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate. The increase in the provision resulting from the passage of time is recognised in finance costs.

Employee leave benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Share based payments

The Company provides benefits to Directors, employees, consultants and other advisors of the Company in the form of share-based payments, whereby the Directors, employees, consultants and other advisors render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the market price of the shares of the Company if applicable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share based payments (continued)

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant recipient becomes fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Company's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the recipient, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see Note 5).

Contributed equity

Ordinary shares are classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Earnings per share (EPS)

Basic earnings per share is calculated by dividing the profit/loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the period, adjusted for bonus elements in ordinary shares issued during the period.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Exploration and evaluation expenditure

Exploration and evaluation costs are expensed as incurred as an operating cost of the Company. Costs related to the acquisition of properties that contain mineral resources are capitalised and allocated separately to specific areas of interest. These costs are capitalised until the viability of the area of interest is determined.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Segment reporting

AASB 8 requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are now reported in a manner that is consistent with the internal reporting to the Managing Director.

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Significant accounting judgements

Determination of mineral resources

The determination of mineral resources impacts the accounting for asset carrying values. Silver Swan Group Limited estimates its mineral resources in accordance with the *Australian Code for Reporting of Exploration Results, Mineral Resources and Ore*

Reserves 2004 (the 'JORC' Code). The information on mineral resources was prepared by or under the supervision of Competent Persons as defined in the JORC Code. The amounts presented are based on the mineral resources determined under the JORC Code.

There are numerous uncertainties inherent in estimating mineral resources, and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Significant accounting estimates and assumptions

Impairment of capitalised exploration and evaluation expenditure

It is the Company's policy to capitalise costs related to the acquisition of properties that contain mineral resources. The future recoverability of capitalised exploration and evaluation expenditure is dependent upon a number of factors, including whether the Company decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact future recoverability include the level of reserves and resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which the determination is made.

Share-based payment transactions

The Company measures the cost of equity-settled share-based payment transactions with employees by reference to the fair value of the equity instruments at the grant date. The fair value is determined by the Company Secretary using a Black-Scholes model, with the assumptions detailed in Note 20. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Valuation of performance shares issued

During the year ended 30 June 2011, the Company entered into an agreement with Gledich Associates Pty Ltd to purchase certain tenements. Consideration for the tenements included 2,000,000

performance shares (issued 2 September 2011). The performance shares are subject to performance milestones (as disclosed in Note 15). The Company has valued the performance shares at \$nil at 30 June 2012 as achievement of the performance milestones are not probable. If the performance milestones are not met by 30 April 2016, the 2,000,000 performance shares are converted into 1 ordinary share on that date.

Note	2012 \$	2011 \$
4 REVENUE AND EXPENSES		
(a) Revenue		
Interest revenue	182,244	287,797
Government grant revenue	75,063	-
Other revenue	4,050	-
	261,357	287,797
(b) Employee Expenses		
Salaries and wages	(1,160,852)	(957,982)
Superannuation	(110,324)	(96,860)
Annual leave	10,439	(16,973)
Other expenses	(64,494)	(21,347)
Share based payments expense	(75,321)	(406,776)
	(1,400,552)	(1,499,938)
5 LOSS PER SHARE		
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Net loss used in calculating basic and diluted earnings per share	(5,408,888)	(6,403,919)

	2012 No. of Shares	2011 No. of Shares
5 LOSS PER SHARE (CONTINUED)		
Weighted average number of ordinary shares and potential ordinary shares used in calculating basic earnings per share	123,318,716	78,397,401
Effect of dilutive securities (see below)	-	-
Adjusted weighted average number of ordinary shares and potential ordinary shares used in calculating basic and diluted earnings per share	123,318,716	78,397,401

Non-dilutive securities

As at reporting date, 23,985,000 (2011: 14,110,000) unlisted options (which represent potential ordinary shares) were not dilutive as they would decrease the loss per share.

Conversions, calls, subscriptions or issues after 30 June 2012

There have been no conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this financial report.

See Note 24 for details regarding post reporting date events.

6 SEGMENT INFORMATION

Management has determined that the Company operates in one industry, in two geographical locations, being mineral exploration in Australia and Spain. As the Company is focused on mineral exploration, the Board monitors the Company based on actual versus budgeted exploration expenditure incurred by area of interest. Operating segments are now reported in a manner that is consistent with the internal reporting to the chief operating decision makers ("CODM"), which has been identified by the Company as the Managing Director and other members of the Board of Directors.

Geographic Region	Revenue		Results		Assets	
	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$
Australia	75,063	-	(1,894,933)	(4,126,823)	2,035,017	2,457,522
Spain	-	-	(217,136)	-	-	-
Unallocated amounts	186,294	287,797	(3,296,819)	(2,277,096)	2,727,868	3,056,230
	261,357	287,797	(5,408,888)	(6,403,919)	4,762,885	5,513,752

During the year, the Company entered into a Farm-in and Joint Venture Heads of Agreement with Astur Gold Corporation and Exploraciones Mineras Del Cantabrico SL in respect of the La Codosera Gold Project in Spain. Under this agreement, the Company will earn up to an 80% interest in the Project by expending AUD\$3 million, within a five year period on Astur's La Codosera gold project in the Extremadura Province of Spain. At 30 June 2012, \$217,136 had been spent and the Company has not yet earned its 51% joint venture interest.

	2012 \$	2011 \$
7 INCOME TAX		
(a) The major components of income tax are:		
<i>Current income tax</i>		
Current income tax benefit	(1,586,353)	(1,858,143)
Current income tax benefit not recognised	1,586,353	1,858,143
<i>Deferred income tax</i>		
Relating to the origination and reversal of temporary differences	72,063	59,000
Deferred tax assets not brought to account as their realisation is not regarded as probable	(72,063)	(59,000)
Income tax (benefit)/expense recorded in the statement of comprehensive income	-	-
(b) A reconciliation between tax expense and the product of accounting loss before tax multiplied by the Company's applicable income tax rate is as follows:		
Accounting loss before income tax	(5,408,888)	(6,403,919)
At the Company's statutory income tax rate of 30% (2011: 30%)	(1,622,666)	(1,921,176)
Non-deductible expenses		
Share based payments	108,376	122,033
Deferred tax assets not brought to account as their realisation is not regarded as probable	1,514,290	1,799,143
Income tax expense reported in the statement of comprehensive income	-	-

	Statement of Financial Position		Statement of Comprehensive Income	
	2012	2011	2012	2011
(c) Deferred income tax				
Deferred income tax at 30 June relates to the following:				
<i>Deferred Tax Liabilities</i>				
Exploration and evaluation assets	(610,505)	(737,257)	-	-
Recognition of losses to offset future taxable income	610,505	737,257	-	-
	-	-	-	-
<i>Deferred Tax Assets</i>				
Accruals	6,000	3,000	(3,000)	(1,500)
Provisions	12,286	15,418	3,132	(5,092)
Section 40-880 deductions	172,266	203,622	31,356	-
Losses available to offset against future taxable income	7,109,593	5,523,240	(1,586,353)	(1,858,143)
Recognition of losses to offset future taxable income	(610,505)	(737,257)	(126,752)	103,500
Deferred tax assets not brought to account as their realisation is not regarded as probable	(6,689,640)	(5,008,023)	1,681,617	1,761,235
	-	-	-	-

The benefit of deferred tax assets not brought to account will only be brought to account if:

- (i) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- (ii) the conditions for deductibility imposed by tax legislation continue to be complied with; and
- (iii) no changes in tax legislation adversely affect the Company in realising the benefit.

	2012 \$	2011 \$
8 CASH AND CASH EQUIVALENTS		
(a) Reconciliation to the Statement of Financial Position and statement of Cash Flows		
Cash at bank and on hand	2,505,165	2,647,415
	2,505,165	2,647,415
(b) Reconciliation of net loss after income tax expense to net cash outflow from operating activities		
Net loss after income tax expense	(5,408,888)	(6,403,919)
<i>Adjustment for non-cash income and expense items</i>		
Share based payments	361,255	406,776
Depreciation expense	83,351	110,493
Impairment of tenements	422,505	-
<i>Changes in assets and liabilities</i>		
Decrease/(Increase) in receivables	111,963	23,982
Decrease/(Increase) in other current assets	3,351	25,135
(Decrease)/Increase in payables	(566,903)	687,162
(Decrease)/Increase in provisions	(10,439)	16,973
Net cash outflow from operating activities	(5,003,805)	(5,133,398)

(c) Significant Non-Cash Investing Activities

During the year ended 30 June 2012, there have been no significant non-cash investing activities.

(d) Credit Standby Arrangements with Banks

At reporting date, the Company had no used or unused financing facilities (2011: nil).

	\$	\$
9 TRADE AND OTHER RECEIVABLES		
GST receivable	6,771	118,734
	6,771	118,734
10 OTHER CURRENT ASSETS		
Prepayments	-	2,885
Accrued interest	2,898	3,364
Security deposits	200	200
	3,098	6,449

	2012 \$	2011 \$
11 PLANT AND EQUIPMENT		
Leasehold Improvements – at cost	93,216	93,216
Accumulated depreciation	(61,326)	(50,697)
Net carrying amount	31,890	42,519
Computer equipment – at cost	152,749	141,729
Accumulated depreciation	(118,685)	(102,596)
Net carrying amount	34,064	39,133
Vehicles – at cost	141,959	141,959
Accumulated depreciation	(104,654)	(88,666)
Net carrying amount	37,305	53,293
Exploration equipment – at cost	183,366	182,449
Accumulated depreciation	(94,414)	(65,052)
Net carrying amount	88,952	117,397
Office equipment – at cost	27,450	26,834
Accumulated depreciation	(17,976)	(14,128)
Net carrying amount	9,474	12,706
Software – at cost	54,755	54,755
Accumulated depreciation	(43,606)	(36,172)
Net carrying amount	11,149	18,583
Total plant and equipment	653,495	640,942
Accumulated depreciation	(440,661)	(357,310)
Net carrying amount	212,834	283,632
(a) Reconciliations		
<i>Leasehold Improvements</i>		
At 1 July	42,519	56,692
Additions	-	-
Depreciation expense	(10,629)	(14,173)
At 30 June	31,890	42,519

	2012 \$	2011 \$
11 PLANT AND EQUIPMENT (CONTINUED)		
<i>Computer equipment</i>		
At 1 July	39,133	61,334
Additions	11,020	3,189
Depreciation expense	(16,089)	(25,390)
At 30 June	34,064	39,133
<i>Vehicles</i>		
At 1 July	53,293	76,133
Additions	-	-
Depreciation expense	(15,988)	(22,840)
At 30 June	37,305	53,293
<i>Exploration equipment</i>		
At 1 July	117,397	147,635
Additions	917	7,339
Depreciation expense	(29,362)	(37,577)
At 30 June	88,952	117,397
<i>Office equipment</i>		
At 1 July	12,706	15,267
Additions	616	2,073
Depreciation expense	(3,848)	(4,634)
At 30 June	9,474	12,706
<i>Software</i>		
At 1 July	18,583	10,676
Additions	-	13,625
Depreciation expense	(7,434)	(5,718)
At 30 June	11,149	18,583
<i>Total</i>		
At 1 July	283,632	367,738
Additions	12,553	26,387
Depreciation expense	(83,351)	(110,493)
At 30 June	212,834	283,632

	2012 \$	2011 \$
12 EXPLORATION & EVALUATION EXPENDITURE		
The Company has exploration costs carried forward in respect of areas of interest:		
Areas of interest:		
Meekatharra tenements	2,035,017	2,457,522
	<u>2,035,017</u>	<u>2,457,522</u>

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on the successful development and commercial exploitation, or alternatively the sale, of the respective areas of interest. During the year, some of the Meekatharra tenements were impaired to reflect the potential non-recoverability of the exploration expenditure.

Reconciliation:

Balance at the beginning of period	2,457,522	2,112,522
Acquisition of interests in new mining leases	-	345,000
Impairment	(422,505)	-
Balance at end of period	<u>2,035,017</u>	<u>2,457,522</u>

13 TRADE AND OTHER PAYABLES

Trade payables (a)	274,110	802,098
Accruals	20,000	58,915
	<u>294,110</u>	<u>861,013</u>

(a) Terms & Conditions

Trade creditors are non interest bearing and are normally settled on 30 days terms.

14 PROVISIONS

Employee benefits	(i)	40,953	51,392
		<u>40,953</u>	<u>51,392</u>

(i) The measurement and recognition criteria relating to employee benefits have been included in Note 2 to this report.

	2012 \$	2011 \$
15 CONTRIBUTED EQUITY		
(a) Issued and paid up capital		
131,565,072 (2011: 79,285,072) fully paid ordinary shares	25,208,512	20,334,404

(b) Movement in shares on issue
Ordinary Shares

	No.	\$
Balance – 1 July 2010	78,285,072	20,189,404
Issue of Shares(i)	1,000,000	145,000
Less Transaction costs	-	-
Balance – 30 June 2011	<u>79,285,072</u>	<u>20,334,404</u>

Issue of Shares (ii)

Issue of Shares (ii)	52,280,000	5,228,000
Less Transaction costs	-	(353,892)
Balance – 30 June 2012	<u>131,565,072</u>	<u>25,208,512</u>

Performance Shares

Balance 1 July 2010	4,000,000	-
Balance – 30 June 2011	<u>4,000,000</u>	<u>-</u>
Issue of Shares(iii)	2,000,000	-
Balance – 30 June 2012	<u>6,000,000</u>	<u>-</u>

(i) Shares issued as follows:

- 1,000,000 @ \$0.145 each on 3 December 2010

(ii) Shares issued as follows:

- 10,000,000 @ \$0.10 each on 1 August 2011

- 42,280,000 @ \$0.10 each on 2 September 2011

(iii) Performance Shares issued as follows:

- 2,000,000 @ \$Nil each on 2 September 2011

15 CONTRIBUTED EQUITY (CONTINUED)
(c) Terms and conditions of contributed equity
Ordinary Shares

Ordinary shares have the right to receive dividends as declared and, in the event of the winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

4,000,000 Unlisted Performance Shares

The Performance Shares will convert to ordinary shares on a 1 for 1 basis on satisfaction, prior to the expiry date, of the Verification Milestone.

The Verification Milestone is the identification of an independently calculated Mineral Resource of 350,000 ounces of gold at the Indicated Category as defined by JORC or such amount of a metal other than gold that has an equivalent value at the time of determination as 350,000 ounces of gold from the tenements acquired under the Heads of Agreement.

The expiry date is 22 April 2013.

The Performance Shares do not carry voting rights and are not transferable.

There are no participation rights or entitlements inherent in the Performance Shares and holders will not be entitled to participate in new issues of capital during the currency of the Performance Shares.

If the Company is wound up prior to conversion of the Performance Shares the Performance Shareholders have no right to be paid cash for the issue price, nor any right to participate in the surplus assets or profits of the Company.

If prior to the expiry date the Verification Milestone is not met, then the total number of Performance Shares will convert into one ordinary share.

No value has been attributed to the Performance Shares as it is not yet considered probable that the Verification Milestone will be achieved.

2,000,000 Unlisted Performance Shares (issued 2 September 2011)

The Performance Shares will convert to ordinary shares on a 1 for 1 basis on satisfaction, prior to the expiry date, of the Verification Milestone.

The Verification Milestone is the identification of an independently calculated Mineral Resource of 250,000 ounces of gold at the Indicated Category as defined by JORC or such amount of a metal other than gold that has an equivalent value at the time of determination as 250,000 ounces of gold from the tenements acquired under the Heads of Agreement.

The expiry date is 30 April 2016.

The Performance Shares do not carry voting rights and are not transferable.

There are no participation rights or entitlements inherent in the Performance Shares and holders will not be entitled to participate in new issues of capital during the currency of the Performance Shares.

If the Company is wound up prior to conversion of the Performance Shares the Performance Shareholders have no right to be paid cash for the issue price, nor any right to participate in the surplus assets or profits of the Company.

If prior to the expiry date the Verification Milestone is not met, then the total number of Performance Shares will convert into one ordinary share.

No value has been attributed to the Performance Shares as it is not yet considered probable that the Verification Milestone will be achieved.

(d) Capital Management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders.

Being at an exploration stage, the Company does not generate cash inflows from its operations to fund its exploration and working capital requirements, therefore, the Company may issue shares to either generate cash for operations or to acquire assets in order to maintain adequate levels of cash reserves.

During the financial year ended 30 June 2012, the Company issued 52,280,000 ordinary shares (2011: 1,000,000 ordinary shares).

The Company is not subject to any externally imposed capital requirements.

16 RESERVES
Share-based Payments Reserve

	2012 \$	2011 \$
Opening balance at the beginning of the financial year	1,695,577	1,288,801
Share-based payments expense	361,255	406,776
Transfer on option exercise	-	-
Closing balance at the end of the financial year	2,056,832	1,695,577

Converted Option Reserve

Opening balance at the beginning of the financial year	10,239	10,239
Transfer on option exercise	-	-
Closing balance at the end of the financial year	10,239	10,239
Total Reserves	2,067,071	1,705,816

(a) Nature and purpose of reserves
Share-based Payments Reserve

The share-based payment reserve is used to record the fair value of share based payments made by the Company.

Converted Option Reserve

The converted option reserve is the fair value options exercised.

See Note 20 for details regarding the grant of options.

17 ACCUMULATED LOSS

Opening balance at the beginning of the financial year	(17,438,873)	(11,034,954)
Net loss for the period	(5,408,888)	(6,403,919)
Closing balance at the end of the financial year	(22,847,761)	(17,438,873)

18 KEY MANAGEMENT PERSONNEL
(a) Compensation for Key Management Personnel

	Year ended 30 June 2012 \$	Year ended 30 June 2011 \$
Short term employee benefits	627,621	395,312
Post-employment benefits	43,276	35,578
Share based payments	60,548	250,013
Total compensation	731,445	680,903

18 KEY MANAGEMENT PERSONNEL (CONTINUED)**(b) Option holdings of Key Management**

30 June 2012	Balance at beginning of period	Granted as remuneration	Options exercised	Net change other	Balance at end of period	Vested at 30 June 2012		
						Total	Exercisable	Not exercisable
Directors								
David Archer	-	3,000,000	-	-	3,000,000	3,000,000	1,000,000	2,000,000
James Harris	1,366,667	-	-	(666,667) ⁽²⁾	700,000	700,000	700,000	-
Paul Trettel	1,575,000	-	-	(1,575,000) ⁽¹⁾	-	-	-	-
Susan Vearncombe	4,000,000	-	-	-	4,000,000	4,000,000	4,000,000	-
Michael Elias	1,700,000	-	-	-	1,700,000	1,700,000	1,700,000	-
Gavin Wendt	-	1,000,000	-	-	1,000,000	1,000,000	1,000,000	-
	8,641,667	4,000,000	-	(2,241,667)	10,400,000	10,400,000	8,400,000	2,000,000

30 June 2011	Balance at beginning of period	Granted as remuneration	Options exercised	Net change other	Balance at end of period	Vested at 30 June 2011		
						Total	Exercisable	Not exercisable
Directors								
James Harris	916,667	450,000	-	-	1,366,667	1,366,667	1,366,667	-
Paul Trettel	1,125,000	450,000	-	-	1,575,000	1,575,000	1,575,000	-
Susan Vearncombe	3,500,000	500,000	-	-	4,000,000	4,000,000	4,000,000	-
Michael Elias	1,250,000	450,000	-	-	1,700,000	1,700,000	1,700,000	-
	6,791,667	1,850,000	-	-	8,641,667	8,641,667	8,641,667	-

(1) Number of options held at resignation date.

(2) Number of options that expired unexercised.

18 KEY MANAGEMENT PERSONNEL (CONTINUED)**(c) Shareholdings of Key Management**

30 June 2012	Balance 1 July 11	Granted as remuneration	On exercise of options	Net change other	Balance 30 June 2012
David Archer	-	-	-	1,350,000	1,350,000
James Harris	1,066,668	-	-	250,000	1,316,668
Susan Vearncombe	155,787	-	-	552,636	708,423
Paul Trettel	2,825,000	-	-	(2,825,000)	-
Michael Elias	50,000	-	-	50,000	100,000
Gavin Wendt	-	-	-	-	-
	4,097,455	-	-	(622,364)	3,475,091

30 June 2011	Balance 1 July 10	Granted as remuneration	On exercise of options	Net change other	Balance 30 June 2011
James Harris	1,066,668	-	-	-	1,066,668
Susan Vearncombe	105,555	-	-	50,232	155,787
Paul Trettel	2,825,000	-	-	-	2,825,000
Michael Elias	-	-	-	50,000	50,000
	3,997,223	-	-	100,232	4,097,455

(d) Loans to Key Management Personnel

There are no loans between the entity and KMP.

(e) Other transactions

SJS Resource Management, a company of which Dr Julian Vearncombe is a director was paid \$181,371 (2011: \$204,267) for the provision of geological services by Dr Julian Vearncombe and his employees and is on normal commercial terms. This item has been recognised as an expense in the Statement of Comprehensive Income.

Kings Park Capital Pty Ltd, a company of which Mr Paul Trettel is a director, was paid a consultancy fees of \$9,092 (2011: \$30,909) for the provision of administration services and is on normal commercial terms. At 30 June 2012, an amount of \$Nil (2011: \$13,000) was included in the balance of trade payables.

CSA Global Pty Ltd, a company of which Mr Michael Elias was a director until his resignation in November 2009, received \$Nil (2011: \$23,760) for the provision of geological services during the year and is on normal commercial terms. This item has been recognised as an expense in the Statement of Comprehensive Income.

Subsequent to year end, the Company purchased 104,200 shares at \$0.48 per shares in Crusader Resources Limited. Mr David Archer is Chairman of Crusader Resources Limited.

19 RELATED PARTIES

(a) Transactions with KMP

Details relating to KMP, including remuneration paid, are included in Note 18 and the audited remuneration report section of the directors' report.

(b) Transactions with Other Related Parties

There were no transactions with other related parties during the current or previous financial year.

	2012 \$	2011 \$

20 SHARE BASED PAYMENTS

(a) Recognised share based payment expenses

The expense recognised for director and employee services received during the year is shown in the table below:

Expense arising from equity-settled share-based payment transactions	361,255	406,776
--	---------	---------

Shareholders approved the establishment of the Silver Swan Employee Option Scheme at a general meeting on 23 April 2011. 1,250,000 Options were granted under this scheme during the year ended 30 June 2012 (2011: 710,000). During the year ended 30 June 2012 375,000 options issued under the scheme were cancelled (2011: 350,000). The directors are not eligible to participate in this scheme. Shareholders approved the issue of a total of 4,000,000 (2011: 2,300,000) options to directors at the annual general meeting held 17 November 2011 and the general meeting held 1 March 2012.

In addition, during the year ended 30 June 2012, 10,000,000 unlisted options to consultants of the Company. The options were issued in lieu of future consultancy services to be provided. The options granted to the consultants have been valued using the Black-Scholes option pricing model as the fair value of services received could not be reliably estimated, as the options were provided as incentive to the adviser in addition to the agreed monthly retainer for the services performed.

Terms and conditions of each grant to directors, employees and consultants are described below. There have been no modifications to any grants during 2012 and 2011.

20 SHARE BASED PAYMENTS (CONTINUED)

(b) Terms and conditions of share-based payments

Terms and conditions of options granted during the year ended 30 June 2012

Terms and conditions of Options granted to a Director

- Each Option shall be issued for no consideration.
- Each Option entitles the holder to subscribe for one Share upon exercise.
- The exercise prices of the Options are \$0.10.
- The Options are subject to vesting conditions and are exercisable at any time after vesting but prior to the Expiry Date.
- The Options expire on 28 February 2015.
- Shares issued on exercise of the Options rank equally with the then shares of the Company.
- No application for quotation of the Options will be made by the Company.
- The Options are non-transferable.
- If there is any reconstruction of the issued share capital of the Company, the rights of the Option holders may be varied to comply with the ASX Listing Rules, which apply to the reconstruction at the time of the reconstruction.

Terms and conditions of Options granted to a Director

- Each Option shall be issued for no consideration.
- Each Option entitles the holder to subscribe for one Share upon exercise.
- The exercise prices of the Options are \$0.20.
- The Options are exercisable at any time prior to the Expiry Date.
- The Options expire on 21 November 2014.
- Shares issued on exercise of the Options rank equally with the then shares of the Company.
- No application for quotation of the Options will be made by the Company.
- The Options are non-transferable.
- If there is any reconstruction of the issued share capital of the Company, the rights of the Option holders may be varied to comply with the ASX Listing Rules, which apply to the reconstruction at the time of the reconstruction.

Terms and conditions of Options granted to a Director

- Each Option shall be issued for no consideration.
- Each Option entitles the holder to subscribe for one Share upon exercise.
- The exercise prices of the Options are \$0.30.
- The Options are exercisable at any time prior to the Expiry Date.
- The Options expire on 21 November 2014.
- Shares issued on exercise of the Options rank equally with the then shares of the Company.
- No application for quotation of the Options will be made by the Company.
- The Options are non-transferable.
- If there is any reconstruction of the issued share capital of the Company, the rights of the Option holders may be varied to comply with the ASX Listing Rules, which apply to the reconstruction at the time of the reconstruction.

Terms and conditions of Options granted to Employees

- Each Option shall be issued for no consideration.
- Each Option entitles the holder to subscribe for one Share upon exercise.
- The exercise prices of the Options are \$0.10.
- The Options are exercisable at any time prior to the Expiry Date.
- The Options expire on the earlier of 20 March 2015 or the date the employee ceases to be an employee of the Company because of retirement, voluntary cessation or mutual agreement of the Company and holder.
- Shares issued on exercise of the Options rank equally with the then shares of the Company.
- No application for quotation of the Options will be made by the Company.
- The Options are non-transferable.
- If there is any reconstruction of the issued share capital of the Company, the rights of the Option holders may be varied to comply with the ASX Listing Rules, which apply to the reconstruction at the time of the reconstruction.

20 SHARE BASED PAYMENTS (CONTINUED)
(b) Terms and conditions of share-based payments (continued)
Terms and conditions of Options granted to an Employee

- Each Option shall be issued for no consideration.
- Each Option entitles the holder to subscribe for one Share upon exercise.
- The exercise prices of the Options are \$0.10.
- The Options are exercisable at any time prior to the Expiry Date.
- The Options expire on the earlier of 25 March 2015 or the date the employee ceases to be an employee of the Company because of retirement, voluntary cessation or mutual agreement of the Company and holder.
- Shares issued on exercise of the Options rank equally with the then shares of the Company.
- No application for quotation of the Options will be made by the Company.
- The Options are non-transferable.
- If there is any reconstruction of the issued share capital of the Company, the rights of the Option holders may be varied to comply with the ASX Listing Rules, which apply to the reconstruction at the time of the reconstruction.

Terms and conditions of Options granted an Employee

- Each Option shall be issued for no consideration.
- Each Option entitles the holder to subscribe for one Share upon exercise.
- The exercise prices of the Options are \$0.10.
- The Options are subject to vesting conditions and are exercisable at any time after vesting but prior to the Expiry Date.
- The Options expire on 17 May 2015.
- Shares issued on exercise of the Options rank equally with the then shares of the Company.
- No application for quotation of the Options will be made by the Company.
- The Options are non-transferable.

Terms and conditions of Options granted to Consultants

- Each Option shall be issued for no consideration.
- Each Option entitles the holder to subscribe for one Share upon exercise.
- The exercise prices of the Options are \$0.175.
- The Options are subject to vesting conditions and are exercisable at any time after vesting but prior to the Expiry Date.
- The Options expire on 6 September 2013.
- Shares issued on exercise of the Options rank equally with the then shares of the Company.
- No application for quotation of the Options will be made by the Company.
- The Options are non-transferable.

If there is any reconstruction of the issued share capital of the Company, the rights of the Option holders may be varied to comply with the ASX Listing Rules, which apply to the reconstruction at the time of the reconstruction

Terms and conditions of options granted during the year ended 30 June 2011
Terms and conditions of Options granted to Directors and Company Secretary

- Each Option shall be issued for no consideration.
- Each Option entitles the holder to subscribe for one Share upon exercise.
- The exercise prices of the Options are \$0.42.
- The Options are exercisable at any time prior to the Expiry Date.
- The Options expire on 15 December 2013.
- Shares issued on exercise of the Options rank equally with the then shares of the Company.
- No application for quotation of the Options will be made by the Company.
- The Options are non-transferable.
- If there is any reconstruction of the issued share capital of the Company, the rights of the Option holders may be varied to comply with the ASX Listing Rules, which apply to the reconstruction at the time of the reconstruction.

20 SHARE BASED PAYMENTS (CONTINUED)
(b) Terms and conditions of share-based payments (continued)
Terms and conditions of Options granted to Employees

- Each Option shall be issued for no consideration.
- Each Option entitles the holder to subscribe for one Share upon exercise.
- The exercise prices of the Options are \$0.42.
- The Options are exercisable at any time prior to the Expiry Date.

- The Options expire on the earlier of 15 December 2013 or the date the employee ceases to be an employee of the Company because of retirement, voluntary cessation or mutual agreement of the Company and holder.
- Shares issued on exercise of the Options rank equally with the then shares of the Company.
- No application for quotation of the Options will be made by the Company.
- The Options are non-transferable.
- If there is any reconstruction of the issued share capital of the Company, the rights of the Option holders may be varied to comply with the ASX Listing Rules, which apply to the reconstruction at the time of the reconstruction.

(c) Summary of options granted

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options issued during the year:

	2011 No.	2011 WAEP
Outstanding at the beginning of the period	10,241,667	\$0.37
Granted during the year	3,010,000	\$0.42
Exercised during the year	-	-
Cancelled during the year	(350,000)	\$0.42
Outstanding at the end of the period	12,901,667	\$0.38
Exercisable at the end of the period	12,901,667	\$0.38

	2012 No.	2012 WAEP
Outstanding at the beginning of the year	12,901,667	\$0.38
Granted during the year	15,250,000	\$0.13
Exercised during the year	-	-
Cancelled during the year	(4,166,667)	\$0.32
Outstanding at the end of the year	23,985,000	\$0.31
Exercisable at the end of the year	21,985,000	\$0.34

(d) Weighted average remaining contractual life

The weighted average remaining contractual life of the share options outstanding as at 30 June 2012 is 1.57 years [2011: 1.65 years].

20 SHARE BASED PAYMENTS (CONTINUED)**(e) Range of exercise prices**

The range of exercise prices for options outstanding at the end of the year was \$0.10 - \$0.75 (2011: \$0.20 - \$0.75).

(f) Weighted average fair value

The weighted average fair value of options granted during the year was \$0.13 (2011: \$0.42)

(g) Option pricing model

Options granted as part of director and executive emoluments have been independently valued using the Black-Scholes Option Valuation model, which takes account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying share, current market price of the underlying share and the expected life of the option. See below for the assumptions used for grants made during the period ended 30 June 2012:

	2012	2011
Dividend yield (%)	0%	0%
Expected volatility (%)	80%-85%	75%
Risk free interest rate (%)	2.39%-3.76%	3.08%
Expected life of the option (years)	1.98-3 years	3.08 years
Option exercise price (\$)	\$0.10-\$0.30	\$0.42
Share price at grant date (\$)	\$0.045-\$0.096	\$0.31

The dividend yield reflects the assumption that the current dividend payout will remain unchanged. The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

21 FINANCIAL INSTRUMENTS**(a) Financial Risk Management**

The Company's principal financial instruments comprise cash and short term deposits.

The main purpose of these financial instruments is to fund capital expenditure on the Company's operations. The Company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. It is, and has been throughout the period under review, the Company's policy that no trading in financial instruments shall be undertaken. Being at an exploration stage, the Company has limited exposure to risks arising from its financial instruments.

Currently the Company does not have any exposure to commodity price risk or foreign currency risk. As the Company moves into development and production phases, exposure to commodity price risk, foreign currency risk and credit risk are expected to increase. The Board will set appropriate policies to manage these risks dependent on market conditions and requirements at that time.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in Note 2.

21 FINANCIAL INSTRUMENTS (CONTINUED)**(b) Interest rate risk**

At reporting date, the Company had the following financial assets exposed to interest rate risk:

	2012 \$	2011 \$
Cash and cash equivalents	2,505,165	2,647,415

None of the Company's financial liabilities are interest bearing. The weighted average interest rate of cash and cash equivalents is 3.5% (2011: 4.75%).

(b) Credit Risk

Credit risk represents the loss that would be recognised if counterparties fail to perform as contracted. The Company's maximum exposure to credit risk at reporting date in relation to each class of financial asset is the carrying amount of those assets as indicated in the statement of financial position.

Wherever possible, the Company trades only with recognised, credit worthy third parties. There are no significant concentrations of credit risk within the Company. Since the Company trades only with recognised third parties, there is no requirement for collateral.

(c) Liquidity Risk

Liquidity risk is the risk that the Company does not have sufficient funds to pay its debts as and when they become due and payable. The Company currently does not have major funding in place. However the Company continuously monitors forecast and actual cash flows and the maturity profiles of financial assets and financial liabilities to manage its liquidity risk.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans if and when required.

Cash at bank and on hand, as set out in Note 8, is available for use by the Company without restrictions.

Financial liabilities of the Company at 30 June 2012 and 30 June 2011 are expected to be settled within 6 months of year end.

(d) Net Fair Values

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 2.

(e) Sensitivity Analysis

The following tables summarise the sensitivity of the Company's financial assets to interest rate risk. Had the relevant variables, as illustrated in the tables, moved, with all other variables held constant, post tax loss and equity would have been affected as shown. The analysis has been performed on the same basis for 2012 and 2011, and represents management's judgement of a reasonably possible movement.

30 June 2012	Carrying Amount \$	Interest Rate Risk -1%		Interest Rate Risk +1%	
		Net Loss \$	Equity \$	Net Gain \$	Equity \$
<i>Financial assets</i>					
Cash and cash equivalents	2,505,165	(25,052)	(25,052)	25,052	25,052

None of the Company's financial liabilities are interest bearing.

21 FINANCIAL INSTRUMENTS (CONTINUED)**(e) Sensitivity Analysis (continued)**

	Carrying Amount \$	Interest Rate Risk -1%		Interest Rate Risk +1%	
		Net Loss \$	Equity \$	Net Gain \$	Equity \$
30 June 2011					
<i>Financial assets</i>					
Cash and cash equivalents	2,647,415	(26,474)	(26,474)	26,474	26,474

None of the Company's financial liabilities are interest bearing.

	2012 \$	2011 \$

22 COMMITMENTS AND CONTINGENCIES**(a) Operating lease commitments**

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable — minimum lease payments

– not later than 1 year	151,820	118,707
– later than 1 year but not later than 5 years	-	118,707
	151,820	237,414

The property lease is a non-cancellable operating lease expiring on 1 July 2013, with rent payable monthly in advance. The lease allows for subletting of all lease areas with the consent of the lessee.

(b) Exploration commitments

Estimated expenditures at reporting date, committed to but not provided for, including commitments to maintain rights of tenure to exploration tenements, being lease rentals and minimum expenditure obligations.

Payable:

– not later than 1 year	2,816,624	1,372,083
– later than 1 year but not later than 5 years	-	-
	2,816,624	1,372,083

(c) Contingencies

The Company is a party to two agreements with Native Title Claimants which have claims over certain tenements held by the Company. Should the Company delineate an ore resource in accordance with the JORC code of practice in these tenements, the Deeds provide for royalties of 0.75% of the value of the gold reserve (to a maximum of 20,000 Troy ounces) and further 0.75% royalties in respect of ongoing annual gold production. If the Company mines any minerals other than gold, an additional royalty is payable. The payment will be equivalent to 50% of the State Government royalties payable, in respect of these minerals mined.

The Company is currently in discussions with another Native Title Group. The obligations arising from these discussions are subject to further negotiations.

22 COMMITMENTS AND CONTINGENCIES (CONTINUED)**(c) Contingencies (continued)**

On 3 May 2011, the Company announced that it had entered into an agreement with Gledich & Associates and Maryanne Gledich for the purchase of their mining tenements at Quinns, Western Australia. Under this agreement, an additional \$200,000 cash payment may be made, conditional upon the Company achieving a 250,000oz gold equivalent indicated resource or better in accordance with the JORC Code on the Tenements on or before 30 April 2016.

During the year, the Company entered into a Farm-in and Joint Venture Heads of Agreement with Astur Gold Corporation and Exploraciones Mineras Del Cantabrico SL in respect of the La Codosera Gold Project in Spain. Under this agreement, if the Company identifies 500,000oz of gold at Indicative Category on the Astur tenements, the Company will issue the number of shares that corresponds to the value of AU\$500,000 to Astur or its nominees. In the event the Company identifies 1,000,000oz of gold at Indicative Category on the Astur tenements, the Company will issue further shares that corresponds to the value of AU\$500,000 to Astur or its nominees.

Other than the above, at reporting date the Company has no contingent assets or liabilities.

	2012 \$	2011 \$

23 REMUNERATION OF AUDITORS

The auditor of Silver Swan Group Limited is BDO Audit (WA) Pty Ltd.

Amounts received or due and receivable by BDO Audit (WA) Pty Ltd for:

An audit or review of the financial reports of the Company	36,000	31,382
Valuation of options for notice of meeting	-	-
	36,000	31,382

24 EVENTS OCCURRING AFTER THE REPORTING PERIOD

The Company announced on 2 July 2012 a non-renounceable pro rata offer to eligible shareholders on the basis of 1 new share for each 2 shares held, as an issue price of \$0.032 together with one free attaching option for every 2 new shares subscribed for. The offer was underwritten and completed on 27 August 2012, raising \$1.9m net of costs. Under the pro rata offer, 65,782,536 shares and 32,891,269 listed options (Exercise price \$0.07 Expiry 15 June 2015) were issued. In accordance with the terms of the Underwriting agreement, Cygnet Capital were issued 7,000,000 Listed Options (Exercise price \$0.07 Expiry 15 June 2015) on completion of the pro rata offer. These listed options were issued on 27 August 2012.

On 16 July, 2012, the Company incorporated a cooperative company in the Netherlands, Caravel Resources Netherlands Cooperatief U.A. "Caravel". The Company holds a 99.999% interest in Caravel. Caravel holds a 100% interest in Spanish Company, Recursos Minerales Caravel Espana S.L. ("Recursos"). Recursos was incorporated on 19 July 2012.

On 27 September 2012, the Company announced 40 million shares are to be issued at a price of \$0.035 per share with one free attaching listed option for every two new shares issued. The listed options have an exercise price of \$0.07 and an expiry date of 30 June 2015. This share issue will raise approximately \$1.4 million before costs.

Other than the matters above, as at the date of this report there are no other matters or circumstances which have arisen since 30 June 2012 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2012, of the Company;
- the results of those operations, in financial years subsequent to 30 June 2012, of the Company; or
- the state of affairs, in financial years subsequent to 30 June 2012, of the Company.

In accordance with a resolution of the directors of Silver Swan Group Limited, I state that:

- (1) In the opinion of the directors:
 - (a) the financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the Company are in accordance with the *Corporations Act 2001* including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2012 and of its performance for the period ended on that date; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (2) The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
- (3) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the year ended 30 June 2012.

On behalf of the Board.



David Archer
Chairman
Perth,
27 September 2012



Tel: +8 6382 4600
Fax: +8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SILVER SWAN GROUP LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Silver Swan Group Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Silver Swan Group Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

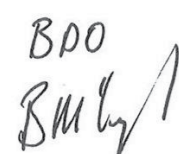
- (a) the financial report of Silver Swan Group Limited is in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Silver Swan Group Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd


Brad McVeigh
Director

Perth, Western Australia
Dated this 27th day of September 2012

The shareholder information set out below was applicable as at 5 October 2012:

1 TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest holders of each class of listed securities are listed below:

Ordinary Shares

Name	No. of Ordinary Shares Held	Percentage of Issued Shares
HSBC CUSTODY NOM AUST LTD	17,631,288	8.93%
NICHOLAS CHARLES TAYLOR	9,625,000	4.88%
WILLIAM RICHARD BROWN	7,905,000	4.01%
VITOR PL	5,470,000	2.77%
HSBC CUSTODY NOM AUST LTD	5,073,828	2.57%
HILLGROVE RES LTD	4,200,000	2.13%
SYNERGY HOLDINGS PTY LTD	3,000,000	1.52%
MZIMA SPRINGS PTY LTD	3,000,000	1.52%
JOSEPH BOAMPONG MEMORIAL	3,000,000	1.52%
DECK CHAIR HOLDINGS PTY LTD	2,944,743	1.49%
DAVID W & JC SPROULE	2,772,770	1.41%
WINDSONG VALLEY PTY LTD	2,741,783	1.39%
HSBC CUSTODY NOM AUST LTD	2,516,352	1.28%
SUNROCK PL	2,358,333	1.20%
JP MORGAN NOM AUST LTD	2,290,081	1.16%
IAN & C PARKER	2,000,000	1.01%
SANPEREZ PTY LTD	1,986,186	1.01%
JAMES & LINDA HARRIS	1,975,000	1.00%
FERGUSON CORP PL	1,934,700	0.98%
KEA HOLDINGS PTY LTD	1,875,000	0.95%
Total Top 20	84,300,064	42.73%
Others	113,047,544	57.27%
Total Ordinary Shares on Issue	197,347,608	100.00%

1 TWENTY LARGEST SHAREHOLDERS (CONTINUED)

Listed Options

Name	No. of Listed Options Held	Percentage of Issued Shares
NICHOLAS CHARLES TAYLOR	4,812,500	12.06%
RICHMOND FOOD SYSTEMS PTY LTD	3,150,000	7.90%
DECK CHAIR HLDGS PTY LTD	2,957,371	7.41%
MZIMA SPRINGS PTY LTD	1,500,000	3.76%
JOSEPH BOAMPONG MEMORIAL	1,500,000	3.76%
MAHSOR HLDGS PTY LTD	1,485,000	3.72%
SEIVAD INV PTY LTD	1,383,685	3.47%
BROWN WILLIAM RICHARD	1,217,500	3.05%
BRYCKI MARK W + N J	1,200,000	3.01%
WHITE SWAN NOM PTY LTD	1,111,412	2.79%
DIGITAL INV PL	1,089,749	2.73%
PARKER IAN M P + C S	1,000,000	2.51%
SANPEREZ PTY LTD	993,093	2.49%
KEA HLDGS PTY LTD	937,500	2.35%
FULLERTON PRIVATE CAP PTY LTD	781,250	1.96%
TAYLOR NICHOLAS CHARLES	762,062	1.91%
VECTOR NOM PTY LTD	750,000	1.88%
CLAPSY PTY LTD	662,062	1.66%
BIMEDENT PTY LTD	650,000	1.63%
BRYCKI CHRISTOPHER	625,000	1.57%
Total Top 20	28,568,184	71.62%
Others	11,323,085	28.38%
Total Listed Options on Issue	39,891,269	100.00%

2 DISTRIBUTION OF EQUITY SECURITIES

(a) Analysis of security by size holding as at 5 October 2012:

	Ordinary Shares		Listed Options	
	Number of Security Holders	Number of Securities Held	Number of Security Holders	Number of Securities Held
1 – 1,000	42	7,720	7	4,956
1,001 – 5,000	70	223,334	17	50,286
5,001 – 10,000	126	1,172,325	9	67,663
10,001 – 100,000	340	14,764,726	33	1,453,180
100,001 – and over	233	181,179,503	57	38,315,184
	811	197,347,608	123	39,891,269

(b) Number of holders of unmarketable parcels – Ordinary shares

Unmarketable Parcels – 261

3 SUBSTANTIAL SHAREHOLDERS

The names of the substantial shareholders listed in the company's register at 5 October 2012 are:

Name	No of Shares Held
Copulos Group	23,323,977
Mr Paul Van Loenhout	4,421,750
Hillgrove Resources Pty Ltd	4,200,000

4 UNQUOTED SECURITIES

As at 5 October 2012, the following unquoted securities are on issue:

Unquoted Securities	Number on Issue	Number of Holders
\$0.20 Options expiring 31/3/2013	1,000,000	3
\$0.30 Options expiring 31/3/2013	1,000,000	3
\$0.50 Options expiring 31/3/2013	1,000,000	1
\$0.20 Options expiring 31/3/2012	750,000	5
\$0.30 Options expiring 31/3/2012	750,000	5
\$0.75 Options expiring 31/8/2013	350,000	1
\$0.60 Options expiring 15/12/2012	750,000	5
\$0.75 Options expiring 15/12/2012	600,000	5
\$0.42 Options expiring 15/12/2013	2,535,000	7
\$0.75 Options expiring 8/09/2013	10,000,000	1
\$0.20 Options expiring 21/11/2014	500,000	1
\$0.30 Options expiring 21/11/2014	500,000	1
\$0.10 Options expiring 28/02/2015	3,000,000	1
\$0.10 Options expiring 25/05/2015	700,000	5
\$0.10 Options expiring 25/05/2015	150,000	1
\$0.10 Options expiring 17/05/2015	400,000	1

5 RESTRICTED SECURITIES

As at 5 October 2012, there are 6,000,000 performance shares subject to performance hurdles.

6 VOTING RIGHTS

The voting rights of the ordinary shares are as follows:

Subject to any rights or restrictions for the time being attached to any shares or class of shares of the Company, each member of the Company is entitled to receive notice of, attend and vote at a general meeting. Resolutions of members will be decided by a show of hands unless a poll is demanded. On a show of hands each eligible voter present has one vote. However, where a person present at a general meeting represents personally or by proxy, attorney or representation more than one member, on a show of hands the person is entitled to one vote only despite the number of members the person represents.

On a poll each eligible member has one vote for each fully paid share held.

There are no voting rights attached to any of the options that the Company currently has on issue. Upon exercise of these options, the shares issued will have the same voting rights as existing ordinary shares.

7 ON-MARKET BUY BACK

There is currently no on-market buy back program for any of Silver Swan Group Limited's listed securities.

8 TENEMENTS

The Company holds an interest in the following tenements or tenement applications:

Prospect	Tenements	Ownership
La Codosera (Spain)	12769, 12770, 12771, 12772, 12773	Earning up to 80%
Abbotts	E51/913, E51/1043, E51/1277, E51/1278, M51/390, M51/566, M51/567, M51/656, M51/657, M51/658	100%
Eucla	E69/2913, E69/2914	100%
Kiaby Well	E59/934	Earning up to 60%
Meekatharra East	E51/960, M51/530, M51/562, M51/563, M51/564, M51/565, M51/789, M51/831, M51/848, P51/2324, P51/2667, P51/2668, P51/2669, P51/2670, P51/2671, P51/2672, P51/2673, P51/2674, P51/2675, P51/2676, P51/2677, P51/2705, P51/2706, P51/2707, P51/2712, P51/2713	100%
Quinns	E51/903, E51/1157, E51/1310, E51/1432, M51/19, M51/72, M51/475, M51/476, M51/505, M51/527, M51/531, M51/532, M51/533, M51/534, M51/574, M51/642, M51/648, M51/730, M51/731, M51/732, M51/776, P51/2391, P51/2541, P51/2542, P51/2559, P51/2560, P51/2614, P51/2678, P51/2679, P51/2680, P51/2681, P51/2682	100%
Stakewell	L51/27, L51/28, L51/32, M51/368, M51/448, M51/449, M51/450, M51/552, M51/579, P51/1683	100%

