

# **SILVER SWAN GROUP LIMITED**

**ABN 41 120 069 089**

## **PROSPECTUS**

**FOR**

**An underwritten non-renounceable pro rata offer to Eligible Shareholders on the basis of one new Share for each two Shares held at an issue price of \$0.032 together with one free Attaching Option for every two new Shares subscribed for as at the Record Date.**

**Underwriter**

**CYGNET CAPITAL PTY LTD**

**THIS OFFER CLOSES AT 5.00PM WST ON 7 AUGUST 2012**

**VALID ACCEPTANCES MUST BE RECEIVED BEFORE THAT TIME.**

**Please read the instructions in this Prospectus and on the accompanying Entitlement and Acceptance Form regarding the acceptance of your Entitlement under the Offer.**

**THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION. IT SHOULD BE READ IN ITS ENTIRETY.**

**IF YOU ARE IN DOUBT ABOUT WHAT TO DO, YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER WITHOUT DELAY.**

**THE SECURITIES OFFERED BY THIS PROSPECTUS ARE OF A SPECULATIVE NATURE.**

## **IMPORTANT INFORMATION**

This Prospectus is dated 6 July 2012 and was lodged with the ASIC on that date. The ASIC and ASX take no responsibility for the contents of this Prospectus.

No Securities will be issued on the basis of this Prospectus any later than 13 months after the date of this Prospectus.

A copy of this Prospectus is available for inspection at the registered office of the Company at 15 Ogilvie Road, Mount Pleasant, Western Australia, during normal business hours. The Company will provide a copy of this Prospectus to any person on request. The Company will also provide copies of other documents on request (see Section 5.6).

The Securities offered by this Prospectus should be considered speculative. Please refer to Section 3 for details relating to investment risks.

Acceptances of Securities can only be submitted on an original Entitlement and Acceptance Form sent with a copy of this Prospectus by the Company. The Entitlement and Acceptance Form sets out an Eligible Shareholder's Entitlement to participate in the Offer. If Acceptance is by BPAY there is no need to return the original Entitlement and Acceptance Form.

Revenues and expenditures disclosed in this Prospectus are recognised exclusive of the amount of goods and services tax, unless otherwise disclosed.

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offer.

No action has been taken to permit the offer of Securities under this Prospectus in any jurisdiction other than Australia and New Zealand.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws. This Prospectus does not constitute an offer of Securities in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Prospectus.

# CORPORATE DIRECTORY

Directors		Stock Exchange Listing
David Archer	Executive Chairman	Australia, ASX Code: SWN
Susan Vearncombe	Managing Director	
Michael Elias	Non-Executive Director	
James Harris	Non-Executive Director	
Gavin Wendt	Non-Executive Director	
<b>Company Secretary</b> Mr Simon Robertson		
Principal and Registered Office		Company Website
15 Ogilvie Rd Mount Pleasant WA 6153 Tel: + 61 (0)8 9316 0766 Fax: + 61 (0)8 9316 0799		www.silverswangroup.com.au
Share Registry		Solicitors to the Company
Security Transfer Registrars Pty Ltd 770 Canning Highway Applecross WA 6153 Tel: + 61 (0)8 9315 2333 Fax: + 61 (0)8 9315 2233		Hardy Bowen Level 1 28 Ord Street WEST PERTH WA 6005
Underwriter		Auditor
Cygnet Capital Pty Ltd 50 Ord Street, West Perth WA 6005		BDO Kendalls Audit and Assurance (WA) Pty Ltd 128 Hay Street Subiaco WA 6008

## PROPOSED TIMETABLE

Lodge Appendix 3B and Prospectus with ASIC and ASX	6 July 2012
Notice of Rights Issue sent to Shareholders	10 July 2012
Shares quoted on an "EX" basis	11 July 2012
Record date for determining Entitlements	17 July 2012
Prospectus and Entitlement and Acceptance Form despatched to Eligible Shareholders	23 July 2012
Closing Date*	7 August 2012
Shares quoted on a deferred settlement basis	8 August 2012
Notification of Shortfall	10 August 2012
Anticipated date for allotment and issue of the Securities	13 August 2012
Anticipated date for despatch of holder statements	14 August 2012
Anticipated date for commencement of Securities trading	16 August 2012

\* Subject to the Listing Rules, the Directors reserve the right to extend the Closing Date for the Offer. Any extension of the Closing Date will have a consequential effect on the anticipated date for allotment and issue of the Shares.

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## Chairman's Letter

Dear Shareholder,

On behalf of your Directors I am pleased to present this Prospectus and invite you to participate in the non-renounceable pro rata offer on the basis of one new Share for every two Shares held on the Record Date at an issue price of \$ 0.032 together with one free Attaching Option for every two new Shares subscribed for.

In addition to continuing its exploration activities targeting the discovery of further volcanic massive sulphide deposits on its Meekatharra tenements in Western Australia the Company has recently entered into a legally binding Joint Venture Heads of Agreement with the Toronto listed Astur Gold Corporation (TSX:V:AST) (Astur) to earn up to 80% interest on Astur's La Codosera gold project in the Extremadura Province of Spain.

The La Codosera gold project covers an area of 1,851 hectares (18.5km<sup>2</sup>) and is located 40km from the provincial capital Badajoz of the Extremadura region of western Spain. The Extremadura region is known as a leader in mining industry support and one of the most famous historic gold districts in Spain.

Historical exploration activities at the La Codosera gold project include geological mapping, trenching and diamond drilling.

Funds raised from the Offer will be utilised to fund the continuation of exploration activities at the La Codosera gold project and the Company's Meekatharra tenements.

In addition to its current exploration activities the company is evaluating other potential asset acquisitions to expand its portfolio of projects.

This Prospectus includes details of the Offer and I invite you to subscribe for your entitlement and continue your support for the Company.

Yours Sincerely

A handwritten signature in purple ink, appearing to read 'David Archer', with a stylized flourish at the end.

David Archer  
Chairman

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## 1. Details of the Offer

### 1.1 The Offer

The Offer under this Prospectus is a non-renounceable pro rata offer to Eligible Shareholders on the basis of one new Share for every two Shares held on the Record Date each at an issue price of \$ 0.032 together with one free Attaching Option for every two new Shares subscribed for ("Offer").

The Company has as at the date of this Prospectus 131,565,072 Shares, 6,000,000 Unlisted Performance Shares and 23,985,000 Unlisted Options on issue.

On the basis that no Unlisted Options are exercised prior to the Record Date, the Offer is for 65,782,536 new Shares and 32,891,268 Attaching Options.

Up to 77,775,036 new Shares and 38,887,518 Attaching Options could be issued under the Offer, depending on the number of Unlisted Options exercised (if any) between the date of the Prospectus and the Record Date.

Where the determination of the Entitlement of any Eligible Shareholder results in a fraction of a Share, such fraction will be rounded down to the nearest whole Share.

Refer to Section 5.1 for a summary of the rights attaching to the Shares and Section 5.2 for the terms and conditions of Attaching Options.

### 1.2 Purpose of the Offer

Completion of the Offer will result in an increase in the cash reserves of up to approximately \$1,952,355 (after the payment of costs associated with the Offer), assuming that no Unlisted Options are exercised prior to the Record Date.

The purpose of the Offer is to raise funds to:

- a) Advance the Company's projects;
- b) Fund existing and new business development opportunities;
- c) Provide additional working capital; and
- d) Meet the costs of this Offer, including payments to the Underwriter, legal fees, document preparation fees, ASX and ASIC fees, the cost of printing and distributing this Prospectus and other miscellaneous expenses.

The funds to be raised under the Offer are proposed to be expended as follows:

Description of Cash Outflows	\$'000
1. Exploration Programmes	1,500,000
2. Business Development	250,000
3. Working Capital	202,355
4. Expenses of the offer	152,686
<b>Total funds to be raised under this Offer</b>	<b>2,105,041</b>

The Company expects to incur significant operating costs as it carries out its exploration and development activities. Due to market conditions, the development of new opportunities and/or any number of other factors (including the risk factors outlined in this Prospectus), actual expenditure levels may differ significantly to the above estimates. Further, the Directors believe that it is likely that the Company will need to raise further capital in the future, in order to complete the exploration and development of current projects and new opportunities that may arise.

### **1.3 Opening and Closing Dates**

The Company will accept Entitlement and Acceptance Forms from the Record Date for determining Eligible Shareholders' Entitlements under the Offer until 5.00pm WST on the Closing Date or such other date as the Directors in their absolute discretion shall determine, subject to the requirements of the Listing Rules.

### **1.4 Underwriting and Sub-underwriting of Offer**

The Company has engaged Cygnet Capital to act as Underwriter to the Offer.

Pursuant to the Underwriting Agreement, the Company has agreed to pay an underwriting fee of 6% exclusive of GST of the amount raised pursuant to the Offer to Cygnet Capital.

The Company will also issue Cygnet Capital 7,000,000 Attaching Options upon completion of the Offer.

The material terms of the Underwriting Agreement are in Section 5.3.

Cygnet Capital currently has no interest in Securities of the Company.

### **1.5 Shortfall Offer**

In the event that not all Eligible Shareholders accept their full entitlement pursuant to the Offer, subject to the terms of the Underwriting Agreement, the Directors (in consultation with the Underwriter) reserve the right, subject to any restrictions imposed by the Corporations Act and the Listing Rules to issue the Shortfall Shares at their sole discretion (**Shortfall Offer**).

The Offer of any Shortfall Shares is a separate offer made pursuant to this Prospectus and will remain open after the Closing Date. Shortfall Shares will be offered at an issue price of \$0.032 per Shortfall Share, which is the issue price at which the Offer has been made to Eligible Shareholders, together with one free Attaching Option for every two Shortfall Shares subscribed. The Shortfall Shares will have the same rights as the Shares as set out in Section 5.1. The terms and conditions of the Attaching Options are set out in Section 5.2.

Shortfall Shares may be allocated to any Eligible Shareholder who applies for Shortfall Shares under the Shortfall Offer at the absolute discretion of the Directors (in consultation with the Underwriter).

The Directors do not represent that any application to participate in the Shortfall Offer will be successful. The Company reserves the right to issue to an applicant for Shortfall Shares a lesser number of Shortfall Shares than the number applied for or reject an application or not proceed with the issuing of the Shortfall Shares or part thereof. If the number of Shortfall Shares issued is less than the number applied for, surplus, Application Monies will be refunded in full. Interest will not be paid on any Application Monies refunded.

If Shareholders wish to apply for Shortfall Shares they should complete the relevant section of the Entitlement and Acceptance Form. Refer to Section 2.3 for instructions as to how to apply for Shortfall Shares.

## **1.6 Cygnet Capital Options**

Pursuant to this Prospectus the Company is offering 7,000,000 Attaching Options to Cygnet Capital as part of the underwriting arrangements as set out in Section 1.4.

The terms and conditions of the Attaching Options are set out in Section 5.2 of this Prospectus.

Application can be made by completing and returning an Option application form which the Company will provide with a copy of this Prospectus. The completed application form should be delivered to Silver Swan Group Limited, 15 Ogilvie Road Mt Pleasant WA 6153.

## **1.7 No Rights Trading**

The Entitlement to Securities under the Offer is non-renounceable. Accordingly, there will be no trading of Entitlements on ASX and you may not dispose of your Entitlements to subscribe for Securities to another party. If you do not take up your Entitlement to Securities under the Offer by the Closing Date, the Offer to you will lapse.

## **1.8 Entitlement and Acceptance Forms**

Acceptance of a completed Entitlement and Acceptance Form by the Company creates a legally binding contract between the Applicant and the Company for the number of Securities accepted by the Company. The Entitlement and Acceptance Form does not need to be signed to be a binding acceptance of Securities.

If the Entitlement and Acceptance Form is not completed correctly it may still be treated as valid. The Directors' decision as to whether to treat the acceptance as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final.

## **1.9 Issue and despatch**

Securities under the Offer are expected to be issued, and Securityholder statements despatched, on or before the date set out in the proposed timetable in this Prospectus.

It is the responsibility of Applicants to determine their allocation prior to trading in the Securities. Applicants who sell Securities before they receive their holding statements do so at their own risk.

## **1.10 Application Monies held on trust**

All Application Monies received for the Securities will be held on trust in a bank account maintained solely for the purpose of depositing Application Monies received pursuant to this Prospectus until the Securities are issued. All Application Monies will be returned (without interest) if the Securities are not issued.

## **1.11 ASX quotation**

Application has been made for the Official Quotation of the Securities offered by this Prospectus. If permission is not granted by ASX for the Official Quotation of the Securities offered by this Prospectus within three months after the date of this Prospectus (or such period as the ASX allows), the Company will repay, as soon as



practicable, without interest, all Application Monies received pursuant to this Prospectus.

## **1.12 CHESS**

The Company participates in the Clearing House Electronic Sub-register System, known as CHESS. ASTC, a wholly owned subsidiary of ASX, operates CHESS in accordance with the Listing Rules and the ASTC Settlement Rules.

Under CHESS, Applicants will not receive a certificate but will receive a statement of their holding of Securities.

If you are broker sponsored, ASTC will send you a CHESS statement.

The CHESS statement will set out the number of Securities issued under this Prospectus, provide details of your holder identification number, the participant identification number of the sponsor and the terms and conditions applicable to the Securities, including a notice to exercise the Securities.

If you are registered on the Issuer Sponsored sub-register, your statement will be despatched by Security Transfer Registrars Pty Ltd ACN 008 894 488 and will contain the number of Securities issued to you under this Prospectus and your security holder reference number.

A CHESS statement or Issuer Sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their Shareholding changes. Shareholders may request a statement at any other time; however, a charge may be made for additional statements.

## **1.13 Residents Outside Australia and New Zealand**

The Offer is not being extended to any shareholders whose registered address is outside Australia or New Zealand. The Company is of the view that it is unreasonable to make the Offer to shareholders outside Australia and New Zealand, having regard to:

- the number of those Shareholders;
- the number and value of Shares to be offered to those persons; and
- the cost of complying with overseas legal requirements.

The Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer other than for Shareholders in Australia and New Zealand. The Company is not required to make offers under the Prospectus to Shareholders other than in Australia and New Zealand. Where the Prospectus has been despatched to Shareholders domiciled outside Australia or New Zealand and where the country's legislation prohibits or restricts in any way the making of the offer contemplated by the Prospectus, the Prospectus is provided for information purposes only.

Shareholders resident in Australia or New Zealand holding shares on behalf of persons who are resident overseas are responsible for ensuring that taking up Entitlements under the Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

#### **1.14 Risk factors**

An investment in the Securities should be regarded as speculative. In addition to the general risks applicable to all investments in listed securities, there are specific risks associated with an investment in the Company which are outlined in Section 3.

#### **1.15 Taxation implications**

The Directors do not consider it appropriate to give Securityholders advice regarding the taxation consequences of subscribing for Securities under this Prospectus.

The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Securityholders. As a result, Securityholders should consult their professional tax adviser in connection with subscribing for Securities under this Prospectus.

#### **1.16 Major activities and financial information**

A summary of the major activities and financial information relating to the Company for the financial year ended 30 June 2011 is in the Annual Report which is available on the website at [www.silverswangroup.com.au](http://www.silverswangroup.com.au)

A summary of activities relating to the Company for the quarters ended 30 September 2011, 31 December 2011 and 31 March 2012 is in the quarterly activities reports, lodged with ASX on 25 October 2010, 31 January 2012 and 30 April 2012 respectively. The 31 December 2011 Half Year Financial Statements were lodged with the ASX on 15 March 2012. The Company's continuous disclosure notices (i.e. ASX announcements) since 21 October 2011, being the date the Annual Report was lodged with ASX, are listed in Section 5.6.

Copies of these documents are available free of charge from the Company. Directors strongly recommend that Shareholders and potential investors review these and all other announcements prior to deciding whether or not to participate in the Offer.

#### **1.17 Privacy**

The Company collects information about each Applicant provided on an Entitlement and Acceptance Form for the purposes of processing the Acceptance and, if the Acceptance is successful, to administer the Applicant's security holding in the Company.

By submitting an Entitlement and Acceptance Form, each Applicant agrees that the Company may use the information provided by an Applicant on the Entitlement and Acceptance Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the share registry, the Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities.

If you do not provide the information required on the Entitlement and Acceptance Form, the Company may not be able to accept or process your Acceptance.

An Applicant has an entitlement to gain access to the information that the Company holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

### **1.18 Effect of the Offer on control of the Company**

The Company is of the view that the Offer will not affect the control (as defined by section 50AA of the Corporations Act).

No investor or existing Shareholder will have a voting power greater than 20% as a result of the completion of the Offer.

There are no substantial Shareholders of the Company who are participating as sub-underwriters of the Offer.

### **1.19 Enquiries concerning Prospectus**

Enquiries relating to this Prospectus should be directed to the Company Secretary by telephone on 08 9316 0766.

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## **2. Action required by Shareholders**

### **2.1 Acceptance of Securities under this Prospectus**

Should you wish to accept all of your Entitlement to Securities and you are not paying by BPAY, then applications for Securities under this Prospectus must be made on the Entitlement and Acceptance Form which accompanies this Prospectus, in accordance with the instructions referred to in this Prospectus and on the Entitlement and Acceptance Form. Please read the instructions carefully.

Please complete the Entitlement and Acceptance Form by filling in the details in the spaces provided and attach a cheque for the amount indicated on the Entitlement and Acceptance Form.

Completed Entitlement and Acceptance Forms must be accompanied by a cheque in Australian dollars, crossed "Not Negotiable" and made payable to "Silver Swan Group Limited Subscription Account" and lodged at any time after the issue of this Prospectus and on or before the Closing Date at the Company's share registry (by delivery or by post) at:

By delivery	Security Transfer Registrars Pty Ltd 770 Canning Highway Applecross WA 6153
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By Post	Security Transfer Registrars Pty Ltd PO Box 535 Applecross WA 6953
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If paying via BPAY, Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment and it is the responsibility of the Applicant to ensure that funds are submitted through BPAY by the Closing Date. If you elect to pay via BPAY, you must follow the instructions for BPAY set out in the Entitlement and Acceptance Form and you will not need to return the Entitlement and Acceptance Form.

### **2.2 If you wish to take up part of your Entitlement only**

Should you wish to only take up part of your Entitlement and you are not paying by BPAY, then applications for Securities under this Prospectus must be made on the Entitlement and Acceptance Form which accompanies this Prospectus in accordance with the instructions referred to in this Prospectus and on the Entitlement and Acceptance Form. Please read the instructions carefully.

Please complete the Entitlement and Acceptance Form by filling in the details in the spaces provided, including the number of Securities you wish to accept and the amount payable (calculated at \$0.032 per Share accepted), and attach a cheque for the appropriate Application Monies.

Completed Entitlement and Acceptance Forms must be accompanied by a cheque in Australian dollars, crossed "Not Negotiable" and made payable to "Silver Swan Group Limited Subscription Account" and lodged at any time after the issue of this Prospectus and on or before the Closing Date at the Company's share registry (by delivery or by post) at:

By delivery      Security Transfer Registrars Pty Ltd  
770 Canning Highway  
Applecross WA 6153

By Post          Security Transfer Registrars Pty Ltd  
PO Box 535  
Applecross WA 6953

If paying via BPAY, Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment and it is the responsibility of the Applicant to ensure that funds are submitted through BPAY by the Closing Date. If you elect to pay via BPAY, you must follow the instructions for BPAY set out in the Entitlement and Acceptance Form and you will not need to return the Entitlement and Acceptance Form.

## **2.3      Shortfall**

If you wish to apply for Shares in excess of your Entitlement by applying for Shortfall Shares you may do so by completing the relevant sections of the Entitlement and Acceptance Form which accompanies this Prospectus, in accordance with the instructions referred to in this Prospectus and on the Entitlement and Acceptance Form. Any Shares applied for in excess of your Entitlement will be applied for under the Shortfall Offer and will be issued on a priority basis to Eligible Shareholders at the complete discretion of the Directors in (consultation with the Underwriter).

Completed Entitlement and Acceptance Forms must be accompanied by a cheque in Australian dollars, crossed "Not Negotiable" and made payable to "Silver Swan Group Limited Subscription Account" and lodged at any time after the issue of this Prospectus and on or before the Closing Date at the Company's share registry (by delivery or by post) at:

By delivery      Security Transfer Registrars Pty Ltd  
770 Canning Highway  
Applecross WA 6153

By Post          Security Transfer Registrars Pty Ltd  
PO Box 535  
Applecross WA 6953

If paying via BPAY, shareholders should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment and it is the responsibility of the shareholder to ensure that funds are submitted through BPAY by the date and time mentioned above. If you elect to pay via BPAY, you must follow the instructions for BPAY set out in the Entitlement and Acceptance Form and you will not need to return the Entitlement and Acceptance Form.

## **2.4      Entitlements not taken up**

If you do not wish to accept any of your Entitlement, you are not obliged to do anything. In that case, Securities not accepted by the Closing Date will fall to the Underwriter and you will receive no benefit.

## **2.5      Enquiries concerning your Entitlement**

If you have any queries concerning your Entitlement please contact Security Transfer Registrars Pty Ltd PO Box 535 Applecross WA 6953 on Telephone: +61 8 9315 2333.

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### **3. Risk factors**

Activities in the Company, as in any business, are subject to risks, which may impact on the Company's future performance. The Company has implemented appropriate strategies, actions, systems and safeguards for known risks, however, some are outside its control.

The Directors consider that the following summary, which is not exhaustive, represents some of the major risk factors which Securityholders need to be aware of in evaluating the Company's business and of increasing your investment in the Company. Shareholders should carefully consider the following factors in addition to the other information presented in this Prospectus.

The principal risks include, but are not limited to, the following:

#### **3.1 Future capital requirements**

The Company's growth through expansion of its current business will require substantial expenditures. There can be no guarantees that the funds raised through this Prospectus together with cash reserves will be sufficient to successfully achieve all the objectives of the Company's overall business strategy.

If the Company is unable to use debt or equity to fund expansion after the substantial exhaustion of the net proceeds of the Offer and existing working capital, there can be no assurance that the Company will have sufficient capital resources for that purpose, or other purposes, or that it will be able to obtain additional resources on terms acceptable to the Company or at all.

Any additional equity financing may be dilutive to the Company's existing Shareholders and any debt financing if available, may involve restrictive covenants, which limit the Company's operations and business strategy. The Company's failure to raise capital if and when needed could delay or suspend the Company's business strategy and could have a material adverse affect on the Company's activities.

#### **3.2 Sovereign Risk**

The Company will undertake exploration activities Spain and, dependant of business development activities, may undertake exploration activities in other foreign countries. As a result, the Company will be subject to political, social, economic and other uncertainties including, but not limited to, changes in policies or the personnel administering them, foreign exchange restrictions, and changes of law affecting foreign ownership, currency fluctuations, royalties and tax increases in these countries. Other potential issues contributing to uncertainty such as repatriation of income, exploration licensing, environmental protection and government control including expropriation and nationalisation over mineral properties should also be considered.

Potential risk to the Company's activities may occur if there are changes to the political, legal and fiscal systems which might affect the ownership and operation of the Company's interests the relevant jurisdictions. This may also include changes in exchange control systems, expropriation of mining rights, changes in government and in legislative and regulatory regimes.

### **3.3 Reliance on key personnel**

The Company is reliant on its management. The loss of one or more of these individuals could adversely affect the Company.

In addition, the Company's ability to manage growth effectively will require it to continue to implement and improve its management systems and to recruit and train new employees and consultants. Although the Company expects to be able to do so in the future, there can be no assurance that the Company will be able to attract and retain skilled and experienced personnel and consultants.

### **3.4 Joint venture parties, contractors and agents**

The Directors are unable to predict the risk of financial failure or default by a participant in any joint venture to which the Company is, or may become a party, or insolvency or other managerial failure by any of the contractors used by the Company in any of its activities, or insolvency or other managerial failure by any of the other service providers used by the Company for any activity.

### **3.5 Environmental management**

The Company's operations are and will be subject to environmental regulation. Environmental regulations are likely to evolve in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance and more stringent environmental assessments of proposed projects. Environmental regulations could adversely affect the viability of the Company's projects. The Company may become subject to liability for pollution or other hazards against which it has not insured or cannot insure, including those in respect of past mining or other activities for which it was not responsible.

### **3.6 Exploration, development, mining and processing risks**

Mineral exploration, project development and mining by their nature contain elements of significant risk. Ultimate and continuous success of these activities is dependent on many factors such as:

- (a) the discovery and/or acquisition of economically recoverable ore resources;
- (b) successful conclusions to bankable feasibility studies;
- (c) access to adequate capital for project development;
- (d) design and construction of efficient mining and processing facilities within capital expenditure budgets;
- (e) securing and maintaining title to tenements;
- (f) obtaining consents and approvals necessary for the conduct of exploration and mining;
- (g) access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants;
- (h) native title risks (see Sections 3.8 and 3.9 below); and
- (i) adverse weather conditions over a prolonged period which may adversely affect exploration and mining operations and the timing of revenues.

Whether or not income will result from development of tenements depends on the successful establishment of mining operations. Factors including costs, actual mineralisation, consistency and reliability of ore grades and commodity prices affect successful project development and mining operations.



### **3.7 Metallurgy**

Metal or mineral recoveries are dependent upon the metallurgical process, and by its nature processing contains elements of significant risk such as:

- (a) identifying a metallurgical process through test work to produce a saleable metal or concentrate;
- (b) developing an economic process route to produce a metal or concentrate; and
- (c) changes in mineralogy in the ore deposit can result in inconsistent metal recovery, affecting the economic viability of the project.

### **3.8 Native Title**

The Native Title Act 1993 (Cth) recognises and protects the rights and interests in Australia of Aboriginal and Torres Strait Islander people in land and waters, according to their traditional laws and customs. There is significant uncertainty associated with native title in Australia and this may impact on the Company's operations and future plans.

Native title can be extinguished by valid grants of land (such as freehold title) or waters to people other than the native title holders or by valid use of land or waters. It can also be extinguished if the indigenous group has lost its connection with the relevant land or waters. Native title is not necessarily extinguished by the grant of mining leases, although a valid mining lease prevails over native title to the extent of any inconsistency for the duration of the title.

Tenements granted before 1 January 1994 are valid or validated by the Native Title Act.

For tenements to be validly granted (or renewed) after 1 January 1994, the future regime was established by the Native Title Act. The existence of a claim is not an indication that Native Title in fact exists on the land covered by the claim, as this is a matter ultimately determined by the Federal Court.

The Company must also comply with Aboriginal heritage legislation requirements which require heritage survey work to be undertaken ahead of the commencement of mining operations.

### **3.9 Native Title access and mining negotiations**

The Company may, from time to time, need to negotiate with any native title claimant for access rights to tenements. In addition, agreement will need to be reached with native title claimants and/or holders in the event of mining. There may be significant delays and costs associated with these negotiations and to reach agreement acceptable to all relevant parties. The Company may also participate in hearings to determine whether native title exists in certain areas in which it has an interest. The participation and outcome of any such proceedings may also entail significant delays and costs which may impact on the timing and conduct of the Company's operations.

### **3.10 Operational and technical risks**

The current and future operations of the Company, including exploration, appraisal and possible production activities may be affected by a range of factors, including:

- (a) geological and hydrogeological conditions;
- (b) limitations on activities due to seasonal weather patterns and cyclone activity;
- (c) alterations to joint venture programs and budgets;



- (d) unanticipated operational and technical difficulties encountered in survey, drilling and production activities;
- (e) electrical and mechanical failure of operating plant and equipment, industrial and environmental accidents, industrial disputes and other force majeure events;
- (f) unavailability of aircraft or drilling equipment to undertake airborne surveys and other geological and geophysical investigations;
- (g) the supply and cost of skilled labour;
- (h) unexpected shortages or increases in the costs of consumables, diesel fuel, spare parts, plant and equipment; and
- (i) prevention or restriction of access by reason of political unrest, outbreak of hostilities and inability to obtain consents or approvals (including clearance of work programs pursuant to the existing and any future access agreements entered into with the registered Aboriginal Land Council and the Native Title claimants).

### **3.11 Title, Tenure and Access Australia**

All mining tenements in Australia which the Company has or may acquire either by application, sale and purchase or farm-in are regulated by the applicable governmental mining legislation. There is no guarantee that applications will be granted as applied for, or that various conditions may be imposed as a condition of grant. In addition the relevant minister may need to consent to any transfer of tenement to the Company.

Renewal of titles is made by way of application to the relevant department. There is no guarantee that a renewal will be automatically granted other than in accordance with the applicable governmental mining legislation. In addition, the relevant department may impose conditions on any renewal, including relinquishment of ground.

### **3.12 Title, Tenure and Access Spain**

There are a number of factors beyond the control of the Directors in Spain and the European Union which may adversely affect the financial position of the Company and its ability to recover and realise its assets.

The Company's involvement in the La Codosera Gold Project in Spain is subject to the risks associated in operating in a foreign country. These risks may include economic, social or political instability or change, hyperinflation, currency non-convertibility or instability and changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, export duties, repatriation of income or return of capital, environmental protection, mine safety, labour relations as well as government control over mineral properties or government regulations that require the employment of local staff or contractors or require other benefits to be provided to local residents.

The Company may also be hindered or prevented from enforcing its rights with respect to government instrumentalities because of the doctrine of sovereign immunity.

Any future material adverse changes in government policies or legislation in Spain or the European Union that affect foreign ownership, mineral exploration, development or mining activities, may affect the viability and profitability of the Company.

The legal systems operating in Spain are different to those operating in Australia and this may result in risks such as:

- (a) different forms of legal redress in the courts whether in respect of a breach of law or regulation, or in an ownership dispute;

- (b) a higher degree of discretion on the part of governmental agencies;
- (c) differences in political and administrative guidance on implementing applicable rules and regulations including, in particular, as regards local taxation and property rights;
- (d) different attitudes of the judiciary and court; and
- (e) difficulty in enforcing judgments.

The commitment by local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licences and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance that joint ventures, licences, licence applications or other legal arrangements will not be adversely affected by the actions of the government authorities or others and the effectiveness or and enforcement of such arrangements cannot be assured.

### **3.13 Resource estimates**

Resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates which were valid when made may change significantly when new information becomes available. In addition, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. Should the Company encounter mineralisation or formations different from those predicted by past sampling and drilling, resource estimates may have to be adjusted and mining plans altered in a way which could impact adversely on the Company's operations.

### **3.14 Taxation and government regulations**

Changes in taxation and government legislation in a range of areas (for example, Corporations Act, accounting standards, and taxation law) can have a significant influence on the outlook for companies and the returns to investors.

The recoupment of taxation losses accrued by the Company from any future revenues is subject to the satisfaction of tests outlined in taxation legislation or regulations in jurisdictions in which the Company operates. There is no guarantee that the Company will satisfy all these requirements at the time it seeks to recoup its tax losses which may impact on the financial performance and cashflows of the Company.

### **3.15 Regulatory Changes**

Changes in laws and governmental policies in Australia and its States and Territories and in other countries where the Company operates concerning environmental, taxation, land access, infrastructure creation and access, accounting policies and other matters in which the Company would be an affected party may have either a beneficial or an adverse impact on the financial performance of the Company.

### **3.16 Insurance**

The Company has a policy of obtaining insurance for operational risks where appropriate, taking into consideration the availability of cover and premium costs and where required under its contractual commitments. There can be no assurance, however, that the Company will be able to obtain or maintain such insurance coverage

at reasonable rates (or at all), or that any coverage it has or obtains will be adequate and available to cover any such claims.

### **3.17 Commodity prices**

Commodity prices inherently fluctuate and are affected by numerous factors beyond the control of the Company. These factors include world demand for particular commodities, forward selling by producers and the level of production costs in major commodity-producing regions. Moreover, commodity prices are also affected by macroeconomic factors such as expectations regarding inflation, interest rates and global and regional demand for, and supply of, a commodity.

### **3.18 Economic factors**

Factors such as inflation, currency fluctuation, interest rates, supply and demand and industrial disruption have an impact on operating costs, commodity prices and stock market processes. The Company's future possible revenues and Share price can be affected by these factors, which are beyond the control of the Company and its Directors.

### **3.19 Share market**

Share market conditions may affect the price at which the Company's Securities trade regardless of operating performance. Share market conditions are affected by many factors, such as:

- (a) general economic outlook;
- (b) movements in, or outlook in, interest rates and inflation rates;
- (c) currency fluctuations;
- (d) commodity prices;
- (e) changes in investor sentiment towards particular market sectors; and
- (f) the demand for, and supply of, capital.

Investors should recognise that the price of the Securities may fall as well as rise. Many factors will affect the price of the Securities including local and international stock markets, movements in interest rates, economic conditions and investor sentiment generally. In addition, the commencement of, or escalation in, any war, armed conflict, hostilities between nations, civil unrest or terrorist activities may affect the price of the Company's Securities.

### **3.20 Investment Speculative**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Securities offered under this Prospectus. Potential investors should consider that the investment in the Company is speculative and should consult their professional adviser before deciding whether to apply for Securities pursuant to this Prospectus.

## 4. Effect of the Offer

### 4.1 Capital structure on completion of the Offer

	Number of Shares	Attaching Options	Number of Unlisted Performance Shares	Number of Unlisted Options
Balance at the date of this Prospectus	131,565,072	-	6,000,000 <sup>(2)</sup>	23,985,000 <sup>(3)</sup>
To be issued under the Offer <sup>(1)</sup>	65,782,536	32,891,268	-	-
To be issued to Cygnet Capital	-	7,000,000	-	-
<b>Balance after the Offer</b>	<b>197,347,608</b>	<b>39,891,268</b>	<b>6,000,000</b>	<b>23,985,000</b>

(1) The number of Shares to be issued under the Offer assumes that no Unlisted Options are exercised before the Record Date. Up to 77,775,036 Shares and 38,887,518 Attaching Options could be issued under the Offer, depending on the number of Unlisted Options exercised (if any) between the date of the Prospectus and the Record Date.

(2) Represents 2,000,000 Unlisted Performance Shares subject to milestone achievement on or before 30 April 2016. Represents 4,000,000 Unlisted Performance shares subject to milestone achievement on or before 22 April 2013. Unlisted Performance Shares so not have an entitlement to participate in the Offer.

(3) 1,750,000 \$0.20 Options exercisable by 31/3/2013  
1,750,000 \$0.30 Options exercisable by 31/3/2013  
1,000,000 \$0.50 Options exercisable by 31/3/2013  
750,000 \$0.60 Options exercisable by 15/12/2012  
600,000 \$0.75 Options exercisable by 15/12/2012  
2,535,000 \$0.42 Options exercisable by 15/12/2013  
350,000 \$0.75 Options exercisable by 31/08/2013  
10,000,000 \$0.175 Options exercisable by 6/9/2013  
500,000 \$0.20 Options exercisable by 20/11/2014  
500,000 \$0.30 Options exercisable by 31/08/2013  
1,000,000 \$0.10 Options exercisable by 28/2/2015  
2,000,000 \$0.10 Options exercisable by 28/2/2015  
700,000 \$0.10 Options exercisable by 20/3/2015  
150,000 \$0.10 Options exercisable by 25/3/2015  
400,000 \$0.10 Options exercisable by 17/5/2015

## 4.2 Pro forma statement of financial position

<b>BALANCE SHEETS As at 31 May 2012</b>	<b>Unaudited 31 May 2012 \$</b>	<b>Adjustments  \$</b>	<b>Pro forma 31 May 2012 \$</b>
Current Assets			
Cash and cash equivalents	2,829,857	1,631,355	4,461,212
Trade and other receivables	23,639	-	23,639
Other current assets	200	-	200
<b>Total Current Assets</b>	<b>2,853,696</b>	<b>1,631,355</b>	<b>4,485,051</b>
Non-Current Assets			
Plant and equipment	215,665	-	215,665
Deferred exploration and evaluation expenditure	2,167,050	-	2,167,050
<b>Total Non-Current Assets</b>	<b>2,382,715</b>	<b>-</b>	<b>2,382,715</b>
<b>Total Assets</b>	<b>5,236,411</b>	<b>1,631,355</b>	<b>6,867,766</b>
Current Liabilities			
Trade and other payables	173,874	-	173,874
Provisions	30,213	-	30,213
<b>Total Current Liabilities</b>	<b>204,087</b>	<b>-</b>	<b>204,087</b>
<b>Total Liabilities</b>	<b>204,087</b>	<b>-</b>	<b>204,087</b>
<b>Net Assets</b>	<b>5,032,324</b>	<b>1,631,355</b>	<b>6,663,679</b>
Equity			
Issued capital	25,208,512	1,952,355	27,160,867
Reserves	2,039,224	-	2,039,224
Accumulated losses	(22,215,412)	(321,000)	(22,536,412)
<b>Total Equity</b>	<b>5,032,324</b>	<b>1,631,355</b>	<b>6,663,679</b>

### Basis of Preparation

The pro forma statement of financial position has been prepared in accordance with the draft ASIC Guide to Disclosing Pro Forma Financial Information (issued July 2005). The pro forma statement of financial position is based on the unaudited statement of financial position as at 31 May 2012 that has then been adjusted to reflect the following material transactions:

- (a) the issue of 65,782,536 Shares pursuant to this Prospectus to raise \$2,105,041 before costs of the Offer of approximately \$152,686. The pro-forma is prepared on the basis that the Offer raises \$1,952,355 after costs; and

- (b) expenditure totalling \$321,000 between 1 June 2012 and 30 June 2012 on continuing activities recorded through accumulated losses.

#### **4.3 Market price of Shares and Options**

The highest and lowest market sale prices of the Company's Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

**Shares:**

Highest: \$0.06 per Share on 26 April 2012.

Lowest: \$.026 per Share on 21 June 2012.

The latest available market sale price of the Company's Shares on ASX prior to the date of lodgement of this Prospectus with the ASIC was \$0.033 per Share on 3 July 2012.

#### **4.4 Dividend policy**

The Directors are not able to say when and if dividends will be paid in the future, as the payment of any dividends will depend on the future profitability, financial position and cash requirements of the Company.

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## 5. Additional information

### 5.1 Rights attaching to Shares

The rights attaching to Shares are set out in the Constitution, and, in certain circumstances, are regulated by the Corporations Act, the Listing Rules and general law. The Constitution may be inspected free of charge during normal business hours at the principal place of business of the Company at 15 Ogilvie Rd, Mount Pleasant, WA.

The following is a summary of the principal rights of the holders of Shares. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of the Company's members.

(a) General meeting and notices

Each member is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to members under the Constitution, the Corporations Act or the Listing Rules.

(b) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at a general meeting of the Company every holder of fully paid ordinary shares present in person or by an attorney, representative or proxy has one vote on a show of hands (unless a member has appointed 2 proxies) and one vote per share on a poll.

A person who holds a share which is not fully paid is entitled, on a poll, to a fraction of a vote equal to the proportion which the amount paid bears to the total issue price of the share.

Where there are two or more joint holders of a share and more than one of them is present at a meeting and tenders a vote in respect of the share, the Company will count only the vote cast by the member whose name appears first in the Company's register of members.

(c) Issues of further shares

The Directors may, on behalf of the Company, issue, grant Options over or otherwise dispose of unissued shares to any person on the terms, with the rights, and at the times that the Directors decide. However, the Directors must act in accordance with the restrictions imposed by the Constitution, the Listing Rules, the Corporations Act and any rights for the time being attached to the shares in any special class of those shares.

(d) Variation of rights

At present, the Company has on issue ordinary shares and performance shares.

Unless otherwise provided by the Constitution or by the terms of issue of a class of shares, the rights attached to the shares in any class may be varied or cancelled only with the written consent of the holders of at least three-quarters of the issued shares of the affected class, or by special resolution passed at a separate meeting of the holders of the issued shares of the affected class.

(e) Transfer of shares

Subject to the Constitution, the Corporations Act and the Listing Rules, ordinary shares are freely transferable.

The shares may be transferred by a proper transfer effected in accordance with the ASTC operating rules, by any other method of transferring or dealing with shares introduced by ASX and as otherwise permitted by the Corporations Act or by a written instrument of transfer in any usual form or in any other form approved by either the Directors or ASX that is permitted by the Corporations Act.

The Directors may decline to register a transfer of shares (other than a proper transfer in accordance with the ASTC operating rules) where permitted to do so under the Listing Rules. If the Directors decline to register a transfer, the Company must, within five Business Days after the transfer is delivered to the Company, give the party lodging the transfer written notice of the refusal and the reason for refusal. The Directors must decline to register a transfer of shares when required by law, by the Listing Rules or by the ASTC operating rules.

(f) Partly paid shares

The Directors may, subject to compliance with the Constitution, the Corporations Act and the Listing Rules, issue partly paid shares upon which there are outstanding amounts payable. These shares will have limited rights to vote and to receive dividends.

(g) Dividends

The Directors may from time to time determine dividends to be distributed to members according to their rights and interests. The Directors may fix the time for distribution and the methods of distribution. Subject to the terms of issue of shares, the Company may pay a dividend on one class of shares to the exclusion of another class.

Each share carries the right to participate in the dividend in the same proportion that the amount for the time being paid on the share (excluding any amount paid in advance of calls) bears to the total issue price of the share.

(h) Winding up

Subject to the rights of holders of shares with special rights in a winding-up, if the Company is wound up, members will be entitled to participate in any surplus assets of the Company in proportion to the percentage of the capital paid up on their shares when the winding up begins.

(i) Dividend reinvestment and share plans

The members of the Company, in general meeting, may authorise the Directors to implement and maintain dividend reinvestment plans (under which any member may elect that dividends payable by the Company be reinvested by way of subscription for fully paid shares in the Company) and any other share plans (under which any member may elect to forego any dividends that may be payable on all or some of the shares held by that member and to receive instead some other entitlement, including the issue of fully paid shares).



(j) Directors

The Constitution states that the minimum number of Directors is three.

(k) Powers of the Board

Except as otherwise required by the Corporations Act, any other law, the Listing Rules or the Constitution, the Directors have power to manage the business of the Company and may exercise every right, power or capacity of the Company to the exclusion of the members (except to sell or dispose of the main undertaking of the Company).

(l) Share buy backs

Subject to the provisions of the Corporations Act and the Listing Rules, the Company may buy back shares in itself on terms and at times determined by the Directors.

(m) Unmarketable parcels

The Constitution permits the Board to sell the shares held by a shareholder if they comprise less than a marketable parcel within the meaning of the Listing Rules. The procedure may only be invoked once in any 12 month period and requires the Company to give the shareholder notice of the intended sale.

If a shareholder does not want his shares sold, he may notify the Company accordingly.

(n) Capitalisation of profits

The Company may capitalise profits, reserves or other amounts available for distribution to members. Subject to the Constitution and the terms of issue of shares, members are entitled to participate in a capital distribution in the same proportions in which they are entitled to participate in dividends.

(o) Capital reduction

Subject to the Corporations Act and the Listing Rules, the Company may reduce its share capital.

(p) Preference shares

The Company may issue preference shares including preference shares that are liable to be redeemed. The rights attaching to preference shares are those set out in the Constitution unless other rights have been approved by special resolution of the Company.

## **5.2 Terms and conditions attaching to Attaching Options**

(a) Entitlement

The Attaching Options entitle the holder to subscribe for one (1) unissued Share upon the exercise of each Attaching Option.

(b) Exercise Price

The exercise price of each Attaching Option is A\$0.07

(c) Expiry Date

Each Attaching Option expires 15 June 2015.

(d) Exercise Period

The Attaching Options are exercisable at any time on or prior to the Expiry Date.

(e) Notice of Exercise

The Attaching Options may be exercised by notice in writing to the Company and payment of the Exercise Price for each Attaching Option being exercised. Any notice of exercise of a Attaching Option received by the Company will be deemed to be a notice of the exercise of that Attaching Option as at the date of receipt.

(f) Shares issued on exercise

Shares issued on exercise of the Attaching Options rank equally with the Shares of the Company.

(g) Quotation of Shares on exercise

Application will be made by the Company to ASX for official quotation of Shares issued upon the exercise of the Attaching Options.

(h) Timing of issue of Shares

After a Attaching Option is validly exercised, the Company must as soon as possible:

(i) issue the Share; and

(ii) do all such acts matters and things to obtain:

(A) the grant of quotation for the Share on ASX no later than five days from the date of exercise of the Attaching Option; and

(B) receipt of cleared funds equal to the sum payable on the exercise of the Attaching Options.

(i) Participation in new issues

There are no participation rights or entitlements inherent in the Attaching Options and the holder will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Attaching Options.

However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least ten Business Days after the issue is announced. This will give Attaching Optionholders the opportunity to exercise their Attaching Options prior to the date for determining entitlements to participate in any such issue.

(j) Adjustment for bonus issues of Shares

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):

- (i) the number of Shares which must be issued on the exercise of a Attaching Option will be increased by the number of Shares which the Attaching Optionholder would have received if the Attaching Optionholder had exercised the Attaching Option before the record date for the bonus issue; and
- (ii) no change will be made to the Exercise Price.

(k) Adjustment for rights issue

If the Company makes an issue of Shares pro rata to existing Shareholders (other than an issue in lieu of in satisfaction of dividends or by way of dividend reinvestment) the Exercise Price of a Attaching Option will be reduced according to the following formula:

$$\text{New exercise price} = O - \frac{E [P - (S+D)]}{N+1}$$

O = the old Exercise Price of the Attaching Option.

E = the number of underlying Shares into which one Attaching Option is exercisable.

P = average market price per Share weighted by reference to volume of the underlying Shares during the five trading days ending on the day before the ex rights date or ex entitlements date.

S = the subscription price of a Share under the pro rata issue.

D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).

N = the number of Shares with rights or entitlements that must be held to receive a right to one new Share.

(l) Adjustments for reorganisation

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

(m) Quotation of Attaching Options

Application for quotation of the Attaching Options will be made by the Company.

(n) Attaching Options transferable

The Attaching Options are transferable.

(o) Lodgement Instructions

Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". The application for Shares on exercise of the

Attaching Options with the appropriate remittance should be lodged at the Company's share registry.

### 5.3 Underwriting Agreement

On 29 June 2012 the Company and Cygnet Capital entered into an agreement ("Underwriting Agreement") pursuant to which Cygnet Capital agreed to fully underwrite the Offer, being 65,782,536 Shares to raise \$2,105,041 before costs.

Pursuant to the Underwriting Agreement, as consideration for fully underwriting the Offer the Company has agreed to:

- (a) pay the Underwriter a capital raising fee of 6%;
- (b) issue to the Underwriter 7,000,000 Attaching Options; and
- (c) reimburse the Underwriter for and indemnify the Underwriter against all costs and expenses reasonable incurred by the Underwriter in respect of the Offer, including the reasonable costs of advertising, printing and distributing the Prospectus, the legal expenses and disbursements of the Underwriter, reasonable accommodation and travelling expenses and all reasonable marketing and promotional expenditure related to the Offer. The Underwriter must obtain the Company's consent prior to incurring any single expense greater than \$2,000.

The Company has given warranties and covenants to the Underwriter which are usual in an agreement of this nature.

The Underwriting Agreement provides that the Underwriter may terminate the Underwriting Agreement and its obligations thereunder without any cost or liability to the Underwriter upon the occurrence of any one or more of the termination events ("Termination Event") including:

- (a) **(Indices fall):** any of All Ordinaries Index or the S&P/ASX 200 Small Ordinaries Index as published by ASX are on any two consecutive trading days after the date of the Underwriting Agreement 10% or more below their respective level at the close of business on the Business Day prior to the date of the Underwriting Agreement; or
- (b) **(Share Price):** the closing price of the Shares of the Company as quoted by ASX is less than \$0.032 for any five consecutive trading days; or
- (c) **(Prospectus):** the Company does not lodge the Prospectus on the date stated in the Underwriting Agreement (or otherwise agreed by the parties in writing) or the Prospectus or Offer is withdrawn by the Company; or
- (d) **(Supplementary prospectus):**
  - (i) the Underwriter forms the view on reasonable grounds that a supplementary or replacement prospectus should be lodged with ASIC for any of the reasons referred to in section 719 of the Corporations Act and the Company fails to lodge a supplementary or replacement prospectus in such form and content and within such time as the Underwriter may reasonably require; or
  - (ii) the Company lodges a supplementary or replacement prospectus without the prior written agreement of the Underwriter; or

- (e) **(Non compliance with disclosure requirements):** it transpires that the Prospectus does not contain all the information required by section 713 of the Corporations Act; or
- (f) **(Misleading Prospectus):** it transpires that there is a statement in the Prospectus that is misleading or deceptive or likely to mislead or deceive, or that there is an omission from the Prospectus (having regard to section 713 of the Corporations Act) or if any statement in the Prospectus becomes misleading or deceptive or likely to mislead or deceive or if the issue of the Prospectus is or becomes misleading or deceptive or likely to mislead or deceive; or
- (g) **(Restriction on allotment):** the Company is prevented from allotting the Shares and Options within the time required by the Underwriting Agreement, the Corporations Act, the Listing Rules, any statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or any court of competent jurisdiction or any governmental or semi governmental agency or authority; or
- (h) **(Withdrawal of consent to Prospectus):** any person (other than the Underwriter) who has previously consented to the inclusion of its, his or her name in the Prospectus or to be named in the Prospectus, withdraws that consent; or
- (i) **(ASIC application):** an application is made by ASIC for an order under section 1324B or any other provision of the Corporations Act in relation to the Prospectus, the Shortfall Notice Deadline Date (as defined in the Underwriting Agreement) has arrived, and that application has not been dismissed or withdrawn; or
- (j) **(ASIC hearing):** ASIC gives notice of its intention to hold a hearing under section 739 of the Corporations Act in relation to the Prospectus to determine if it should make a stop order in relation to the Prospectus or the ASIC makes an interim or final stop order in relation to the Prospectus under section 739 of the Corporations Act; or
- (k) **(Takeovers Panel):** the Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are unacceptable circumstances under Pt 6.10 of the Corporations Act; or
- (l) **(Hostilities):** there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of this agreement involving one or more of Australia, New Zealand, Indonesia, Japan, Russia, the United Kingdom, the United States of America, the Peoples Republic of China, or any member of the European Union, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world; or
- (m) **(Authorisation):** any authorisation which is material to anything referred to in the Prospectus is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Underwriter; or
- (n) **(Indictable offence):** a director or senior manager of the Company (or any of the Company's subsidiaries) is charged with an indictable offence; or
- (o) **(Sub-underwriters)** any of the Sub-underwriters does not comply, or threatens not to comply, with its obligations under the relevant agreement; or

- (p) **(Termination Events):** any of the following events occurs and, in the reasonable opinion of the Underwriter reached in good faith, the occurrence of a Termination Event has or is likely to have, or two or more Termination Events together have or are likely to have a material adverse effect (as defined in the Underwriting Agreement) or could give rise to a liability of the Underwriter under the Corporations Act or otherwise:
- (i) **(Default):** default or breach by the Company under the Underwriting Agreement of any terms, condition, covenant or undertaking; or
  - (ii) **(Incorrect or untrue representation):** any representation, warranty or undertaking given by the Company in the Underwriting Agreement is or becomes untrue or incorrect; or
  - (iii) **(Contravention of Constitution or Act):** a contravention by the Company of any provision of the Constitution, the Corporations Act, the Listing Rules or any other applicable legislation or any policy or requirement of ASIC or ASX; or
  - (iv) **(Adverse change):** an event occurs which gives rise to a material adverse effect or any adverse change or any development including a material adverse change after the date of the Underwriting Agreement in the assets, liabilities, financial position, trading results, profits, forecasts, losses, prospects, business or operations of the Company (or any of its subsidiaries) including, without limitation, if any forecast in the Prospectus becomes incapable of being met or in the Underwriter's reasonable opinion, unlikely to be met in the projected time; or
  - (v) **(Error in Due Diligence Results):** it transpires that any of the due diligence results or any part of the verification material was false, misleading or deceptive or that there was an omission from them; or
  - (vi) **(Significant change):** a "new circumstance" as referred to in section 719(1) of the Corporations Act arises that is materially adverse from the point of view of an investor; or
  - (vii) **(Public statements):** without the prior approval of the Underwriter (which must not be unreasonably withheld) a public statement is made by the Company in relation to the Offer or the Prospectus (unless such a statement is required by law, the Listing Rules or a government agency; or
  - (viii) **(Misleading information):** any information supplied at any time by the Company or any person on its behalf to the Underwriter in respect of any aspect of the Offer or the affairs of the Company is or becomes misleading or deceptive or likely to mislead or deceive; or
  - (ix) **(Change in Act or policy):** there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any of its States or Territories any Act or prospective Act or budget or the Reserve Bank of Australia or any Commonwealth or State authority adopts or announces a proposal to adopt any new, or any major change in, existing, monetary, taxation, exchange or fiscal policy that was not publicly disclosed as at the date of the Underwriting Agreement; or

- (x) **(Prescribed Occurrence):** a prescribed occurrence (as defined in the Underwriting Agreement) occurs; or
- (xi) **(Suspension of debt payments):** the Company suspends payment of its debts generally; or
- (xii) **(Event of Insolvency):** an Event of Insolvency (as defined in the Underwriting Agreement) occurs in respect of a the Company; or
- (xiii) **(Judgment against Company):** a judgment in an amount exceeding \$50,000 is obtained against Company (or a subsidiary) and is not set aside or satisfied within 7 days; or
- (xiv) **(Litigation):** litigation, arbitration, administrative or industrial proceedings are after the date of the Underwriting Agreement commenced or threatened against the Company (or a subsidiary), other than any claims foreshadowed in the Prospectus; or
- (xv) **(Board and senior management composition):** there is a change in the composition of the Board or a change in the senior management of the Company before allotment of the Shares and Options without the prior written consent of the Underwriter; or
- (xvi) **(Change in shareholdings):** there is a material change in the major or controlling shareholdings of the Company (or a subsidiary) or a takeover offer or scheme of arrangement pursuant to Chapter 5 or 6 of the Corporations Act is publicly announced in relation to the Company (or a subsidiary); or
- (xvii) **(Timetable):** there is a delay in any specified date in the timetable which is greater than seven Business Days; or
- (xviii) **(Force Majeure):** a force majeure event affecting the Company's business or any obligation under the Underwriting Agreement lasting in excess of seven days occurs; or
- (xix) **(Certain resolutions passed):** the Company (or a subsidiary) passes or takes any steps to pass a resolution under section 254N, section 257A or section 260B of the Corporations Act or a resolution to amend the Constitution without the prior written consent of the Underwriter; or
- (xx) **(Capital Structure):** the Company (or a subsidiary) alters its capital structure in any manner not contemplated by the Prospectus, excluding the issue of any Shares upon exercise of Options, such Options having been disclosed to ASX as at the date of the Underwriting Agreement; or
- (xxi) **(Investigation):** any person is appointed under any legislation in respect of companies to investigate the affairs of the Company (or a subsidiary); or
- (xxii) **(Market Conditions):** a suspension for more than two trading days or a material limitation in trading generally on ASX occurs or any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, the United Kingdom, the United States of America or other international financial markets; or



- (xxiii) **(Material Breach):** the Company fails to rectify any material breach of the mandate between the Company and the Underwriter having been given 10 Business Days written notice by the Underwriter of such breach having occurred.

## 5.4 Directors' interests in Company Shares

The Directors or their nominees currently each hold Securities as follows:

Director	Shares	Unlisted Options	Entitlement to Shares under the Offer	Entitlement to Attaching Options under the Offer
Mr David Archer	1,350,000	3,000,000	675,000	337,500
Dr Susan Vearncombe	708,423	4,000,000	354,212	177.106
Mr James Harris	1,316,668	1,366,667	658,334	329.167
Mr Michael Elias	100,000	1,700,000	50,000	25.000
Mr Gavin Wendt	-	1,000,000	-	-

It is the intention of the Directors to take up their entitlements in the Offer.

## 5.5 Company is a disclosing entity

The Company is a disclosing entity under the Corporations Act. It is subject to regular reporting and disclosure obligations under both the Corporations Act and the Listing Rules of ASX.

Copies of documents lodged with the ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office (see Section 5.6 below).

## 5.6 Copies of documents

Copies of documents lodged by the Company in connection with its reporting and disclosure obligations may be obtained from, or inspected at, an office of ASIC. The Company will provide free of charge to any person who requests it during the period of the Offer, a copy of:

- the Annual Report of the Company for the year ended 30 June 2011, being the last financial year for which an annual financial report was lodged with the ASIC in relation to the Company on 21 October 2011;
- the following continuous disclosure notices given by the Company to notify ASX of information relating to the Company during the period from the date of lodgement of the Annual Report being 21 October 2011 and before the date of issue of this Prospectus are as follows:

Date Lodged	Subject of Announcement
4/07/2012	Change of Director's Interest Notice JH
2/07/2012	Exploration Update
2/07/2012	Fully Underwritten Rights Issue to Raise \$2.1M
29/06/2012	Request for Trading Halt



29/06/2012	Trading Halt
22/06/2012	Change of Director's Interest Notice DA
12/06/2012	Change of Director's Interest Notice SV
12/06/2012	Change of Director's Interest Notice - DA
7/06/2012	Change of Director's Interest Notice DA
1/06/2012	Investor Presentation Clarification
1/06/2012	Investor Presentation
30/05/2012	VMS Exploration Re-commences at Quinns
21/05/2012	Appendix 3B
7/05/2012	Ground Exploration Underway at Abbotts
30/04/2012	Quarterly Activities Report
30/04/2012	Quarterly Cashflow Report
28/03/2012	Right to Acquire 80% of La Codosera Gold Project, Spain
26/03/2012	Appendix 3B
21/03/2012	Appendix 3B
15/03/2012	Half Year Accounts
1/03/2012	Change of Director's Interest Notice
1/03/2012	Appendix 3B
1/03/2012	Results of Meeting
14/02/2012	Change of Director's Interest Notice SV
14/02/2012	Change of Director's Interest Notice DA
14/02/2012	Change of Director's Interest Notice JH
31/01/2012	Quarterly Activities Report
31/01/2012	Quarterly Cashflow Report
27/01/2012	Notice of General Meeting/Proxy Form
18/01/2012	Change in substantial holding
17/01/2012	Change of Director's Interest Notice
3/01/2012	Final Director's Interest Notice
3/01/2012	Change of Director's Interest Notice - DA
3/01/2012	Change of Director's Interest Notice - DA Amended
21/12/2011	Change of Director's Interest Notice - DA
15/12/2011	Flinders VMS Prospect, Quinns Project Drilling Update
14/12/2011	Initial Director's Interest Notice
9/12/2011	Appointment of Executive Chairman
1/12/2011	Stakewell Drilling Update
25/11/2011	Change of Director's Interest Notice
25/11/2011	Addendum to Announcement 21/11/2011
22/11/2011	Appendix 3B
21/11/2011	Results of Meeting
21/11/2011	Option Exercise Price
21/11/2011	Drilling Update
18/11/2011	Change in substantial holding
7/11/2011	Investor Presentation
7/11/2011	Change in substantial holding
25/10/2011	Quarterly Cashflow Report
24/10/2011	Quarterly Activities Report
24/10/2011	Quarterly Cashflow Report

The following documents are available for inspection throughout the application period of this Prospectus during normal business hours at the registered office of the Company at 15 Ogilvie Road, Mount Pleasant, Western Australia:

- (c) this Prospectus;
- (d) the Constitution; and
- (e) the consents referred to in Section 5.13 and the consents provided by the Directors to the issue of this Prospectus.

## **5.7 Information excluded from continuous disclosure notices**

There is no information which has been excluded from a continuous disclosure notice in accordance with the Listing Rules, and which is required to be set out in this Prospectus.

## **5.8 Determination by the ASIC**

The ASIC has not made a determination which would prevent the Company from relying on section 713 of the Corporations Act in issuing the Shares under this Prospectus.

## **5.9 Directors' interests**

Except as disclosed in this Prospectus, no Director and no firm in which a Director is a partner:

- (a) has any interest nor has had any interest in the last two years prior to the date of this Prospectus in the formation or promotion of the Company, the Offer or property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (b) has been paid or given or will be paid or given any amount or benefit to induce him or her to become, or to qualify as, a Director, or otherwise for services rendered by him or her in connection with the formation or promotion of the Company or the Offer.

## **5.10 Directors remuneration**

Shareholders have approved an aggregate amount of up to \$300,000 to be paid as Directors' fees.

Directors received the following remuneration for the period 1 July 2011 to 31 May 2012:

<b>Director</b>	<b>Directors Fees \$</b>	<b>Superannuation \$</b>	<b>Share based payments and other \$</b>	<b>Total \$</b>
Mr David Archer	125,000	-	73,229	198,229
Dr Susan Vearncombe	288,073	25,927	-	314,000
Mr James Harris	40,898	3,681	-	44,579
Mr Michael Elias	34,606	3,115	-	37,721
Mr Gavin Wendt	34,606	3,115	16,215	53,936

Directors received the following remuneration for the year ended 30 June 2011:

Director	Directors Fees \$	Superannuation \$	Share based payments and other \$	Total \$
Mr David Archer	-	-	-	-
Dr Susan Vearncombe	275,229	24,771	67,571	367,571
Mr James Harris	48,033	4,323	60,814	113,170
Mr Michael Elias	36,025	3,242	60,814	100,081
Mr Gavin Wendt	-	-	-	-

### 5.11 Interests of other persons

Except as disclosed in this Prospectus, no expert, promoter or other person named in this Prospectus as performing a function in a professional, advisory or other capacity:

- (a) has any interest nor has had any interest in the last two years prior to the date of this Prospectus in the formation or promotion of the Company, the Offer or property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (b) has been paid or given or will be paid or given any amount or benefit in connection with the formation or promotion of the Company or the Offer.

Hardy Bowen will be paid approximately \$12,000 in fees for legal services in connection with the Offer.

The fees to be paid to Cygnet Capital for acting as Lead Manager and Underwriter to the Offer are set out in Section 1.4.

### 5.12 Expenses of Offer

The estimated expenses of the Offer are as follows:

	\$
ASIC Lodgement fee	2,171
ASX quotation fee	7,213
Underwriting fee	126,302
Legal and preparation expenses	15,000
Printing, mailing and other expenses	2,000
<b>Total</b>	<b>152,686</b>

### 5.13 Consents

The following consents have been given in accordance with the Corporations Act and have not been withdrawn as at the date of lodgement of this Prospectus with the ASIC:

- (a) Hardy Bowen has given and, as at the date hereof, has not withdrawn, their written consent to being named in this Prospectus as solicitors to the Company. Hardy Bowen has not authorised or caused the issue of this Prospectus or the making of the Offer. Hardy Bowen make no representation

regarding, and to the extent permitted by law exclude any responsibility for, any statements in or omissions from any part of this Prospectus.

- (b) Security Transfer Registrars Pty Ltd has given and, as at the date hereof, has not withdrawn, its written consent to be named as the share registry in the form and context in which it is named. Security Transfer Registrars Pty Ltd has had no involvement in the preparation of any part of this Prospectus other than being named as share registrar of the Company. Security Transfer Registrars Pty Ltd has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Prospectus.
- (c) Cygnet Capital has given and, as at the date hereof, has not withdrawn, its written consent to being named in this Prospectus as Lead Manager and Underwriter to the Offer. Cygnet Capital has not authorised or caused the issue of this Prospectus or the making of the Offer. Cygnet Capital makes no representation regarding, and to the extent permitted by law exclude any responsibility for, any statements in or omissions from any part of this Prospectus.

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## 6. Authorisation

This Prospectus is authorised by each of the Directors of the Company.

This Prospectus is signed for and on behalf of the Company by:



Dr Susan Vearncombe  
**Managing Director**

Dated: 6 July 2012

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## 7. Glossary of Terms

These definitions are provided to assist persons in understanding some of the expressions used in this Prospectus.

**\$** means Australian dollars.

**Acceptance** means a valid acceptance of Shares made pursuant to this Prospectus on an Entitlement and Acceptance Form.

**Annual Report** means the financial report lodged by the Company with ASIC in respect to the year ended 30 June 2011 and includes the corporate directory, chairman's report, review of activities, Shareholder information, financial report of the Company and its controlled entities for the year ended 30 June 2011, together with a Directors' report in relation to that financial year and the auditor's report for the period to 30 June 2011.

**Applicant** means a person who submits an Entitlement and Acceptance Form.

**Application Monies** means application monies for Shares received by the Company from an Applicant.

**ASIC** means Australian Securities and Investments Commission.

**ASTC** means ASX Settlement and Transfer Corporation Pty Ltd ACN 008 504 532.

**ASX** means ASX Limited ABN 98 008 624 691 and where the context permits, the Australian Securities Exchange operated by ASX Limited.

**Attaching Option** means the options with the terms and conditions in Section 5.2.

**Board** means the Directors meeting as a board.

**Business Day** means Monday to Friday inclusive, other than a day that ASX declares is not a business day.

**CHES** means ASX Clearing House Electronic Subregistry System.

**Closing Date** means 5.00 pm (WST) the date identified as such in the proposed timetable.

**Company** or **SWN** means Silver Swan Group Limited ABN 41 120 069 089.

**Constitution** means the constitution of the Company as at the date of this Prospectus.

**Corporations Act** means Corporations Act (Cth) 2001.

**Cygnit Capital** means Cygnit Capital Pty Ltd ACN 103 488 606.

**Directors** mean the directors of the Company as at the date of this Prospectus.

**Eligible Shareholder** means a person registered as the holder of Shares on the Record Date whose registered address is in Australia and New Zealand.

**Entitlement** means the entitlement to Securities under the Offer as set out in Section 1.1.

**Entitlement and Acceptance Form** means the entitlement and acceptance form sent with this Prospectus that sets out the Entitlement of Shareholders to subscribe for Securities pursuant to the Offer.

**Issuer Sponsored** means Shares issued by an issuer that are held in uncertificated form without the holder entering into a sponsorship agreement with a broker or without the holder being admitted as an institutional participant in CHESS.

**Listing Rules** means the Listing Rules of ASX.

**Offer** means the offer in Section 1.1.

**Official List** means the official list of ASX.

**Official Quotation** means quotation of Shares on the Official List.

**Option** means the right to acquire one ordinary fully paid Share in the capital of the Company and includes Attaching Options and Unlisted Options.

**Optionholder** means a holder of Options.

**Prospectus** means this prospectus dated in Section 6.

**Record Date** means 5:00pm (WST) on the date identified in the proposed timetable.

**Section** means a section of this Prospectus.

**Security** means a Share, Option or Shortfall Share ,as applicable.

**Securityholders** means a holder of Shares or Options.

**Share** means an ordinary fully paid share in the capital of the Company.

**Shareholder** mean a holder of Shares.

**Shortfall Offer** has the meaning in Section 1.5.

**Shortfall Shares** means Shares not subscribed for by Eligible Shareholders under the Entitlements Offer.

**Underwriter** means Cygnet Capital.

**Underwriting Agreement** means the underwriting agreement referred to in Section 5.3.

**Unlisted Options** means the Options set out in Section 4.1 for which Official Quotation has not been sought.

**Unlisted Performance Shares** means the performance shares in the capital of the Company set out in Section 4.1 for which Official Quotation has not been sought.

**WST** means Western Standard Time, being the time in Perth, Western Australia.