



Silver
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G R O U P

SILVER SWAN GROUP LIMITED

ACN 120 069 089

**INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED**

31 DECEMBER 2007

CORPORATE DIRECTORY

Registered and Corporate Office

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Share Registry

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Stock Exchange listing

Australian Stock Exchange Limited
ASX Code: SWN

Solicitors to the Company

Hardy Bowen Lawyers

Auditor

BDO Kendalls Audit and Assurance (WA) Pty Ltd
128 Hay Street
Subiaco
WA 6008

SILVER SWAN GROUP LIMITED

ACN 120 069 089

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SILVER SWAN GROUP LIMITED

ACN 120 069 089

DIRECTORS' REPORT

Your directors present their report on Silver Swan Group Limited for the period ended 31 December 2007.

The comparative figures are for the period from incorporation (6 June, 2006) to 31 December 2006.

DIRECTORS

The names of the directors who held office during or since the end of the period are:

Mr James Harris

Mr Paul Trettel

Mr Paul Van Loenhout

Mr Murray Hodges

Mr Dale Ferguson

COMPANY SECRETARY

Mr Simon Robertson

REVIEW AND RESULTS OF OPERATIONS

The net loss of the company after income tax for the period ended 31 December 2007 amounted to loss of \$458,904 (2006: \$58,372).

REVIEW OF ACTIVITIES

A summary of the tenements and work undertaken by the company since listing are as follows;

Cocata JV (EL 3462/3463 South Australia)

This project area consists of two Exploration Licences EL 3462 (723 square kilometres) and EL 3463 (487 square kilometres) in the Cocata area. The prime exploration targets for the Cocata Project are structurally controlled orogenic style lode gold and iron oxide-copper-gold-style (IOCG) mineralisation such as that found at Olympic Dam, Prominent Hill and Carapateena.

During the period the company completed a three hole diamond drilling program totalling 918 meters targeting gravity anomalies as indicators of potential iron-oxide copper-gold (IOCG) style mineralization on two of six gravity anomalies identified by exploration in the March quarter of 2007.

The drill holes intersected variably altered granitoid and dolerite with weak visual indications of sulphide mineralisation on fractures and associated with minor breccia and pegmatite. The observed mineralisation and alteration are not considered significant indicators of IOCG mineralisation at this time.

Watson Joint Venture (EL 3313/3323 South Australia)

The Watson Project lies just 2 kilometres south of Iluka Resource's Ambrosia Deposit. The project comprises two tenements, EL3313 and EL3323, covering a combined area 1823 square kilometres. The Ambrosia Deposit is a classic beach placer style mineralisation, with a high grade "placer" core and associated overlying mineralised dune sands, which has an indicated resource of 1.3 million tonnes of in-situ zircon as reported by Iluka Resources (August 2006) to the ASX. The reported grade for this deposit is 2.7%, with an average zircon assemblage of 48%.

Data from the airborne electromagnetic (EM) survey completed over the Watson area has been received on this project.

Processing of this data is expected to provide a useful assessment of the thickness of Tertiary cover rocks, to assist in the formation of a suitable exploration program.

Jubilee North (E28/753 Western Australia)

The Jubilee North project is a conceptual nickel and gold target, which is largely based on its proximity to the Jubilee Nickel mine. The tenement lies within 5 kilometres of the main Jubilee nickel mining camp, and the suite of mafic to ultramafic rocks that host mineralisation that may extend beneath a thin veneer of granite.

No work was completed on the Jubilee North project during the half year.

Kiaby Well (ELA59/934 Western Australia)

The Kiaby Well is considered an advanced exploration project with historical mining in the vicinity of the tenement including gold and tungsten and it is considered prospective for gold, nickel and iron ore.

Following the granting of the tenement a review of geological and geophysical data covering the project area was completed.

A field trip to follow-up on the results of the project review was completed in December with Geological reconnaissance and rock chip sampling conducted over a magnetic feature with a strike length of over 4km.

This initial work identified a sequence of BIF's and chert which could be prospective for both primary magnetite and secondary goethite-hematite mineralisation. Rock chip sampling has returned results up to 55.4% iron.

EVENT SUBSEQUENT TO REPORTING DATE

On 21 February, 2008 the Company announced that they had signed a Heads of Agreement whereby the Company will acquire 100% ownership of a portfolio of tenements from Mercator Gold Pty Ltd all within 60 kilometres of Mercator's Yaloginda gold operation, near Meekatharra in the Murchison Goldfield of Western Australia. The tenements are in five project areas covering approximately 600km² and prospective for gold, copper and other base metals.

Under the terms of the Head of Agreement signed between the Company and Mercator, the Company will, in consideration for acquiring a 100% interest in the tenements, issue Mercator with:

- a. 10,000,000 ordinary shares in the Company, plus
- b. 4,000,000 performance shares. The performance shares are valid for five years and will convert to 4,000,000 ordinary shares upon the Company identifying on the tenements, or on additional tenements acquired by the Company via Mercator, an Indicated Mineral Resource (as defined in the JORC Code 2004) of 350,000 ounces of gold, 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. Should the performance criteria not be met the 4,000,000 performance shares will convert to one ordinary share in the Company.

Following the completion of the transaction, Mercator will hold 30% of the ordinary shares in the Company.

Mercator has also agreed to provide the Company with the option to treat any commercially viable mineralisation identified by the Company at its mill on commercial terms should the ore be suitable.


The purchase will be subject to Mercator and the Company completing formal due diligence within 30 days of signing the Heads of Agreement.

The company must also request formal approval for the acquisition from its shareholders.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration to the directors of Silver Swan Group Limited on page 16 forms part of the Directors' report for the period ended 31 December 2007.

This report is signed in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to read 'J Harris', with a stylized flourish at the end.

J Harris, Chairman

Dated this 13th day of March 2008, Perth, Western Australia.

SILVER SWAN GROUP LIMITED**ACN 120 069 089****CONDENSED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

	31 December 2007	Period Ended 31 December 2006
	\$	\$
Revenues from continuing activities	90,919	45,755
Administrative services	(30,000)	(30,000)
Consulting and Directors fees	(35,204)	(13,066)
Exploration expenses	(429,236)	-
Compliance and regulatory expenses	-	(2,010)
Options issue expense	-	(46,004)
Other expenses from continuing activities	(55,383)	(13,047)
(Loss) from continuing activities before income tax expense	(458,904)	(58,372)
Income tax expense relating to continuing activities	-	-
(Loss) from continuing activities after related income tax expense	(458,904)	(58,372)
Basic Loss per share (cents)	(1.97)	(0.63)

Diluted Loss per share for the half year ended 31 December 2007 is not calculated as it is not considered dilutive. Therefore this has not been disclosed.

The accompanying notes form part of these financial statements.

SILVER SWAN GROUP LIMITED

ACN 120 069 089

**CONDENSED BALANCE SHEET
AS AT 31 DECEMBER 2007**

	Notes	31 December 2007	30 June 2007
CURRENT ASSETS		\$	\$
Cash and cash equivalents	5	2,683,641	2,975,030
Trade and other receivables		11,321	-
Prepayments		8,829	17,375
TOTAL CURRENT ASSETS		<u>2,703,791</u>	<u>2,992,405</u>
NON-CURRENT ASSETS			
Capitalised exploration and evaluation expenditure		-	241,902
TOTAL NON-CURRENT ASSETS		<u>-</u>	<u>241,902</u>
TOTAL ASSETS		<u>2,703,791</u>	<u>3,234,307</u>
CURRENT LIABILITIES			
Trade and other payables		19,057	90,669
TOTAL CURRENT LIABILITIES		<u>19,057</u>	<u>90,669</u>
TOTAL LIABILITIES		<u>19,057</u>	<u>90,669</u>
NET ASSETS		<u>2,684,734</u>	<u>3,143,638</u>
EQUITY			
Issued Capital	6	3,221,766	3 221,766
Reserves		34,885	34,885
Accumulated losses		(571,917)	(113,013)
TOTAL EQUITY		<u>2,684,734</u>	<u>3,143,638</u>

The accompanying notes form part of these financial statements.

SILVER SWAN GROUP LIMITED**ACN 120 069 089****CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED
31 DECEMBER 2007**

	Share Capital \$	Accumulated Losses \$	Option Reserve \$	Total \$
Balance as of 1 July 2007	3,221,766	(113,013)	34,885	3,143,638
Loss for the period	-	(458,904)	-	(458,904)
Net income and expense recognised during the half year	-	(458,904)	-	(458,904)
Balance as at 31 Dec 2007	3,221,766	(571,917)	34,885	2,684,734

	Share Capital \$	Accumulated Losses \$	Option Reserve \$	Total \$
Balance at 6 June 2006	-	-	-	-
Loss for the period		(58,372)		(58,372)
Net income and expense recognised during the period		(58,372)		(58,372)
Shares issued during the period	3,470,001			3,470,001
Options issued during period			46,004	46,004
Capital raising costs on issue of shares	(249,645)			(249,645)
Balance as at 31 Dec 2006	3,220,356	(58,372)	46,004	3,207,988

The accompanying notes form part of these financial statements

SILVER SWAN GROUP LIMITED**ACN 120 069 089****CONDENSED STATEMENT OF CASHFLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2007**

	Period Ended 31 December 2007	Period Ended 31 December 2006
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	90,919	45,755
Payments to suppliers and employees and exploration	<u>(382,308)</u>	<u>(79,817)</u>
Net cash provided by (used for) operating activities	<u>(291,389)</u>	<u>(34,062)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Mineral Tenements	<u>-</u>	<u>(15,000)</u>
Net cash provided by (used for) investing activities	<u>-</u>	<u>(15,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	3,400,001
Cost of capital raising	<u>-</u>	<u>(249,645)</u>
Net cash provided by financing activities	<u>-</u>	<u>3,150,356</u>
Net increase (decrease) in cash and cash equivalents held	(291,389)	3,101,294
Cash and cash equivalents at 1 July 2007	<u>2,975,030</u>	<u>-</u>
Cash and cash equivalents at 31 December 2007	<u>2,683,641</u>	<u>3,101,294</u>

The accompanying notes form part of these financial statements.

SILVER SWAN GROUP LIMITED

ACN 120 069 089

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2007**

NOTE 1: BASIS OF PREPARATION

The half-year financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standard AASB 134: interim Financial Reporting, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2007 and any public announcements made by Silver Swan Group Limited during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

Reporting Basis and Conventions

The half year report has been prepared on an accruals basis and is based on historical costs.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2007 annual financial report for the financial year ended 30 June 2007.

Going Concern

The ability of the Company to continue as a going concern in the future will be dependent on the ability to raise further funds as required to facilitate the progress of the commercialisation of its various tenement holdings.

NOTE 2: SEGMENT INFORMATION

The Company operates in one business and geographical segment, being mineral exploration in Australia.

NOTE 3: CONTINGENT LIABILITIES

The Directors are not aware of any contingent liabilities.

NOTE 4: EVENTS SUBSEQUENT TO BALANCE DATE

On 21 February, 2008 the Company announced that it had signed a Heads of Agreement whereby the Company will acquire 100% ownership of a portfolio of tenements from Mercator Gold Plc (Mercator) all within 60 kilometres of Mercator's Yaloginda gold operation, near Meekatharra in the Murchison Goldfield of Western Australia. The tenements are in five project areas covering approximately 600km² and prospective for gold, copper and other base metals.

SILVER SWAN GROUP LIMITED

ACN 120 069 089

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2007
CONTINUED**

Under the terms of the Head of Agreement signed between the Company and Mercator, the Company will, in consideration for acquiring a 100% interest in the tenements, issue Mercator with:

- a. 10,000,000 ordinary shares in the Company, plus
- b. 4,000,000 performance shares. The performance shares are valid for five years and will convert to 4,000,000 ordinary shares upon the Company identifying on the tenements, or on additional tenements acquired by the Company via Mercator, an Indicated Mineral Resource (as defined in the JORC Code 2004) of 350,000 ounces of gold, 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. Should the performance criteria not be met the 4,000,000 performance shares will convert to one ordinary share in the Company.

Following the completion of the transaction, Mercator will hold 30% of the ordinary shares in the Company.

Mercator has also agreed to provide the Company with the option to treat any commercially viable mineralisation identified by the Company at its mill on commercial terms should the ore be suitable.

The purchase will be subject to Mercator and the Company completing formal due diligence within 30 days of signing the Heads of Agreement.

The company must also request formal approval for the acquisition from its shareholders.

Other than outlined above, there have been no significant events after the reporting date, that would have an effect on the financial statements.

NOTE 5: CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents are comprised of the following.

	31 December 2007 \$	31 December 2006 \$
Cash at bank and on hand	2,683,641	3,101,294

SILVER SWAN GROUP LIMITED

ACN 120 069 089

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2007**

NOTE 6: ISSUED CAPITAL

(a) Movements in ordinary share capital during the period

There have been no movements in issued capital during the half year ended 31 December 2007.

Movements for the half year ended 31 December 2006

Date	Details	Number of Ordinary Shares	Issue Price	Amount \$
06/06/2006	Incorporation	1	\$1.00	1
06/09/2006	Share issue	8,000,000	\$0.05	400,000
26/10/2006	Initial public offer	15,000,000	\$0.20	3,000,000
26/10/2006	Issued for acquisition of tenements	35,000	\$0.20	70,000
01/02/2006	Cost of share issue	350,000	\$0.20	249,645
Balance as at 31 December 2006		23,330,001		3,220,356

(b) Options

The Company has on issue 10,000,000 unlisted options to acquire 10,000,000 ordinary shares. There have been no options issued or exercised during the half year ended 31 December 2007.

NOTE 7: ACQUISITION COSTS AND EXPLORATION EXPENDITURE

(a) Reconciliation of Acquisition Costs and Exploration Expenditure.

	31 December 2007	31 December 2006
	\$	\$
Balance at beginning of period	241,902	-
Expenditure for the period	187,034	85,000
Written off during the period	(428,936)	-
Balance at end of period	<u>-</u>	<u>85,000</u>

(b) Commitments

At 31 December 2007 the Company has an expenditure commitment of \$540,000 in order to keep the tenements in good standing and meet Joint Venture obligations.

SILVER SWAN GROUP LIMITED

ACN 120 069 089

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2007**

NOTE 8: RELATED PARTIES

There are no related party transactions outside those detailed in the annual financial report.

SILVER SWAN GROUP LIMITED


ABN 74 106 240 475

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 7 - 14:
 - a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - b. give a true and fair view of the company's financial position as at 31 December 2007 and of its performance for the period ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



J Harris
Chairman

Dated this 13th day of March 2008



BDO Kendalls

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www.bdo.com.au

ABN 79 112 284 787

13 March 2008

The Directors
Silver Swan Group Limited
15 Ord Street
West Perth WA 6005

Dear Sirs

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

As lead auditor for the review of Silver Swan Group Limited for the half-year ended 31 December 2007, 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 review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

BG McVeigh
Director

BDO Kendalls Audit & Assurance (WA) Pty Ltd
Perth, Western Australia



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

We have reviewed the accompanying half-year financial report of Silver Swan Group Limited, which comprises the condensed balance sheet as at 31 December 2007, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration (in order for the disclosing entity to lodge the half-year financial report with the Australian Securities and Investments Commission).

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Silver Swan Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Silver Swan Group Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the disclosing entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001.

Material Uncertainty Regarding Going Concern

Without qualifying our conclusion, we draw attention to the fact that as disclosed in note 1 the company will have to seek additional funding if it is to enter into the operational stage of production. If the company is unable to obtain additional funding it may cast significant doubt about the company's ability to continue as a going concern and will be able to realise its assets and liabilities at the values carried in the balance sheet.

BDO Kendalls Audit & Assurance (WA) Pty Ltd

BDO Kendalls
BG McVeigh

BG McVeigh
Director