



SILVER SWAN
GROUP

SILVER SWAN GROUP LIMITED

ACN 120 069 089

**INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED**

31 DECEMBER 2008

CORPORATE DIRECTORY

Registered and Corporate Office

Unit 1

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Mt Pleasant WA 6153

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Facsimile: (+61 8) 9316 0799

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Share Registry

Security Transfer Registrars Pty Ltd

770 Canning Highway

Applecross WA 6153

Telephone: (+61 8) 9315 2333

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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 half-year ended 31 December 2008.

DIRECTORS

The names of the directors who held office during or since the end of the half-year are:

Mr Michael Elias – Non-executive Chairman

Dr Susan Vearncombe – Managing Director

Mr James Harris – Non-executive Director

Mr Paul Trettel – Non-executive Director

COMPANY SECRETARY

Mr Simon Robertson

REVIEW AND RESULTS OF OPERATIONS

The net loss of the company after income tax for the half-year ended 31 December 2008 amounted to a loss of \$2,561,101 (2007: \$458,904).

REVIEW OF ACTIVITIES

Silver Swan Group Limited is a polymetallic explorer with tenements in the Murchison District of the Yilgarn Craton, Western Australia and the Wilgena and Christie Domains of the Gawler Craton, South Australia.

The Company's current focus is on lode-gold, copper-gold and volcanogenic massive sulphide (Cu-Zn-Ag-Au) mineralisation in Archaean and Proterozoic terrains. The Company has 100% interest in the Abbotts, Bourkes Find, Quinns, Stakewell and Yagahong projects (collectively "the Meekatharra projects")

Exploration emphasis has been on two project areas, namely Quinns and Yagahong. These two areas contain three distinctly different mineralisation styles – lode gold, syn-tectonic copper-gold and volcanogenic massive sulphide (Cu-Zn-Ag-Au) mineralisation.

Quinns is located approximately 55km SE of Meekatharra and 20km SSW of the Copper Hills Cu-Au project. Assay results from Diamond Drilling at its Austin prospect contain economic grades of Cu-Zn-Ag-Au (VMS).

Drilling completed in the period includes:

- 12 diamond holes into Austin,
- downhole electromagnetics on all holes plus two legacy CRA drillholes,
- high-precision geochemistry to characterize the VMS type and
- detailed aeromagnetics at 25m line spacing over the Quinns area.

Yagahong is located approximately 4km SE of Meekatharra and has shown significant metal intersections from diamond drilling, containing copper-gold mineralisation in the Copper Hills prospect and a substantial uranium radiometric anomaly in the northern part of Quinns.

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DIRECTORS' REPORT continued

Work completed in the period includes:

- 2 diamond holes into Copper Hills,
- integration of SWN and legacy drilling and defined 450m of Cu-Au mineralization at Copper Hills South,
- detailed aeromagnetics at 25m and 40m line spacing over Copper Hills and the remaining Yagahong area respectively and
- detailed geological mapping.

At the date of this report results from the high-precision geochemistry have not yet been received.

The Company is currently consolidating its activities at Yagahong and Quinns, whilst reviewing its Burkes Find tenement for future diamond and reverse circulation drilling.

Consolidation of historic information at Abbots, Bourkes Find and Stakewell is near completion and forward programmes are being developed. At Abbots the company completed a detailed aeromagnetic survey at 40m line-spacing over the northern part of the area that includes the area of gold mineralization at Mt Vranizan. Compilation work at Bourkes Find has verified the highly anomalous gold results of shallow historic drilling.

Silver Swan has relinquished the Jubilee tenement in the Eastern Goldfields and intends to divest the tenements held by the company in South Australia.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration to the directors of Silver Swan Group Limited on page 14 forms part of the Directors' report for the half-year ended 31 December 2008.

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



M Elias

Non-executive Chairman

Dated this 19th February 2009, Perth, Western Australia.

SILVER SWAN GROUP LIMITED**ACN 120 069 089****INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

| | 31 December 2008 | 31 December 2007 |
|--|---------------------|---------------------|
| | \$ | \$ |
| Revenues from continuing activities | 70,329 | 90,919 |
| Administrative services | (385,345) | (120,587) |
| Borrowing costs | (1,706) | - |
| Depreciation expense | (48,241) | - |
| Employee expenses | (657,027) | - |
| Exploration expenses | (1,539,111) | (429,236) |
| | | |
| Loss from continuing activities before income tax expense | (2,561,101) | (458,904) |
| | | |
| Income tax expense relating to continuing activities | - | - |
| | | |
| Loss from continuing activities after related income tax expense and attributable to members of Silver Swan Group Limited. | <u>(2,561,101)</u> | <u>(458,904)</u> |
| | | |
| Basic and diluted loss per share (cents) | (6.59) | (1.97) |

The accompanying notes form part of these financial statements.

SILVER SWAN GROUP LIMITED

ACN 120 069 089

**BALANCE SHEET
AS AT 31 DECEMBER 2008**

| | Notes | 31 December 2008 | 30 June 2008 |
|--|-------|---------------------|------------------|
| CURRENT ASSETS | | \$ | \$ |
| Cash and cash equivalents | | 2,027,189 | 2,077,022 |
| Trade and other receivables | | 19,749 | 32,699 |
| Other current assets | | 18,807 | 65,440 |
| TOTAL CURRENT ASSETS | | 2,065,745 | 2,175,161 |
| NON-CURRENT ASSETS | | | |
| Plant & equipment | | 296,755 | 179,850 |
| Exploration and evaluation expenditure | | 2,112,522 | 2,112,522 |
| TOTAL NON-CURRENT ASSETS | | 2,409,277 | 2,292,372 |
| TOTAL ASSETS | | 4,475,022 | 4,467,533 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 139,249 | 296,245 |
| Provisions | | 126,725 | 120,277 |
| TOTAL CURRENT LIABILITIES | | 265,974 | 416,522 |
| TOTAL LIABILITIES | | 265,974 | 416,522 |
| NET ASSETS | | 4,209,048 | 4,051,011 |
| EQUITY | | | |
| Issued Capital | 5 | 7,756,804 | 5,221,766 |
| Reserves | | 970,235 | 786,135 |
| Accumulated losses | | (4,517,991) | (1,956,890) |
| TOTAL EQUITY | | 4,209,048 | 4,051,011 |

The accompanying notes form part of these financial statements.

SILVER SWAN GROUP LIMITED**ACN 120 069 089****STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED
31 DECEMBER 2008**

| | Share Capital \$ | Accumulated Losses \$ | Option Reserve \$ | Total \$ |
|--|---------------------|-----------------------------|-------------------------|-------------|
| Balance as of 1 July 2008 | 5,221,766 | (1,956,890) | 786,135 | 4,051,011 |
| Loss for the period | - | (2,561,101) | - | (2,561,101) |
| Net income and expense recognised during the half year | - | (2,561,101) | - | (2,561,101) |
| Cost of share based payments | - | - | 184,100 | 184,100 |
| Transactions with equity holders in their capacity as equity holders | | | | |
| Issue of shares, net of costs | 2,535,038 | - | - | 2,535,038 |
| Balance as at 31 Dec 2008 | 7,756,804 | (4,517,991) | 970,235 | 4,209,048 |

| | 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 |

The accompanying notes form part of these financial statements

SILVER SWAN GROUP LIMITED

ACN 120 069 089

**CASHFLOW STATEMENT
FOR THE PERIOD ENDED 31 DECEMBER 2008**

| | Period Ended 31 December 2008 | Period Ended 31 December 2007 |
|---|---|---|
| | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Interest received | 69,131 | 90,919 |
| Borrowing costs | (1,706) | - |
| Payments to suppliers and employees including exploration | (2,487,150) | (382,308) |
| Net cash used in operating activities | <u>(2,419,725)</u> | <u>(291,389)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Payments for purchase of property, plant and equipment | <u>(165,146)</u> | - |
| Net cash used for investing activities | <u>(165,146)</u> | - |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issue of shares | 2,650,100 | - |
| Share issue costs | <u>(115,062)</u> | - |
| Net cash provided by financing activities | <u>2,535,038</u> | - |
| Net decrease in cash and cash equivalents held | (49,833) | (291,389) |
| Cash and cash equivalents at 1 July | <u>2,077,022</u> | <u>2,975,030</u> |
| Cash and cash equivalents at 31 December | <u>2,027,189</u> | <u>2,683,641</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 2008**

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 and the Corporations Act.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2008 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 2008 annual Financial Report for the year ended 30 June 2008.

Going Concern

The ability of the Company to continue as a going concern and exploit its exploration assets 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

There has been no matters or circumstances that have arisen since 31 December 2008 that have significantly affected or may significantly affect:

- the Company's operations in future years; or
- the results of those operations in future years; or
- the Company's state of affairs in future years.

SILVER SWAN GROUP LIMITED

ACN 120 069 089

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2008
CONTINUED**

NOTE 5: ISSUED CAPITAL

| | 31 December 2008 \$ | 31 December 2007 \$ |
|----------------------------|---------------------------|---------------------------|
| Ordinary fully paid shares | 7,756,804 | 3,221,766 |

| | 31 December 2008 | | 31 December 2007 | |
|--|-----------------------------|-----------|-----------------------------|-----------|
| Movements in ordinary share capital | Number of Shares | \$ | Number of Shares | \$ |
| Beginning of the financial period | 33,350,001 | 5,221,766 | 23,350,001 | 3,221,766 |
| Issued during the period: | | | | |
| – Ordinary shares issued at 23 cents | 5,000,000 | 1,150,000 | - | - |
| – Ordinary shares issued at 45c cents | 3,333,555 | 1,500,100 | - | - |
| – Capital raising costs incurred | - | (115,062) | - | - |
| End of the financial period | 41,683,556 | 7,756,804 | 23,350,001 | 3,221,766 |

SILVER SWAN GROUP LIMITED

ACN 120 069 089

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2008
CONTINUED**

NOTE 6: SHARE-BASED PAYMENTS

Employee Share Option Plan

The Company provides benefits to employees, including directors of the Company in the form of share-based payment transactions, whereby options to acquire ordinary shares are issued as an incentive to improve employee and shareholder goal congruence.

During the period 350,000 options were granted under the Employee Share Option Plan. The exercise price of the options granted in the current period is \$0.75 per option and have an expiry date of 31 March 2013 (5 years) which vested immediately on issue.

Expenses arising from share-based payment transactions for the period totalled \$184,100.

The value of options granted during the period was calculated using the Black-Scholes European Option Pricing Model. The values and inputs were as follows:

| | |
|---|-----------|
| Options issued | 350,000 |
| Value per option | \$0.526 |
| Total value of options granted | \$184,100 |
| Weighted average exercise price | \$0.75 |
| Weighted average life of the option (years) | 5.00 |
| Weighted average underlying share price | \$0.71 |
| Expected share price volatility | 100% |
| Weighted average risk free interest rate | 5.72% |

NOTE 7: EXPLORATION EXPENDITURE

There has been no significant change to the Company's exploration expenditure commitments since 30 June 2008.

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 4 to 12:
 - 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 2008 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.



M Elias

Non – Executive Chairman

Dated this 19th day of February 2009

19 February 2009

The Board of Directors
Silver Swan Group Limited
Unit 1, 15 Ogilvie Road
MT PLEASANT WA 6153

Dear Board Members,

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

As lead auditor of Silver Swan Group Limited for the half-year ended 31 December 2008, 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
- any applicable code of professional conduct in relation to the review.

This declaration is in respect of Silver Swan Group Limited.



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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Silver Swan Group Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

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 establishing 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 Interim and Other Financial Reports 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 2008 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 2008 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 Continuation as a Going Concern

Without qualifying our opinion, we draw attention to the fact that, as disclosed in Note 1, the company will have to seek additional funding in order to continue to exploit its exploration assets. 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 extinguish its liabilities in the normal course of business and at amounts stated in the report.

BDO Kendalls Audit & Assurance (WA) Pty Ltd



BG McVeigh
Director

Perth, Western Australia
Dated this 19th day of February 2009