
SWAN GOLD MINING LIMITED

ABN 69 100 038 266

HALF- YEAR FINANCIAL REPORT

31 DECEMBER 2013

**SWAN GOLD MINING LIMITED AND CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2013
CORPORATE DIRECTORY**

CORPORATE DIRECTORY

CONTENTS

BOARD OF DIRECTORS

Michael Fotios	Non- Executive Director
John Poynton	Non- Executive Director
Craig Readhead	Non- Executive Director
Wayne Zekulich	Non- Executive Director

COMPANY SECRETARY

Wayne Zekulich

REGISTERED OFFICE

24 Mumford Place
BALCATT
WA 6021

Telephone: (61-8) 6241 1802
Facsimile: (61-8) 6241 1811
admin@swangoldmining.com.au
Web-site: www.swangoldmining.com.au

SHARE REGISTRY

Computershare Investor Services Pty Ltd
Level 2, 45 St. George's Terrace
Perth WA 6000

Telephone: (61-8) 9323 2000
Facsimile: (61-8) 9323 2033
E-mail: perth.services@computershare.com.au
Web-site: www.computershare.com.au

AUDITORS

Ernst & Young

SOLICITORS

Allion Legal

BANKERS

National Australia Bank Limited

STOCK EXCHANGE LISTING

Shares in Swan Gold Mining Limited are listed on the Australian Stock Exchange under the trading code SWA.

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**SWAN GOLD MINING LIMITED AND CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2013
DIRECTORS' REPORT**

The directors of Swan Gold Mining Limited (Swan Gold or Company) present their report on the results and state of affairs of the Swan Gold and its subsidiaries (Consolidated Entity or Group) for the half- year ended 31 December 2013.

DIRECTORS

The names of the directors of Swan Gold in office during the course of the half- year and up to the date of this report are as follows:

Michael Fotios
John Poynton
Craig Readhead
Wayne Zekulich

Unless otherwise indicated, all directors held their position as a director throughout the entire half- year and up to the date of this report.

PRINCIPAL ACTIVITIES

The principal activity of the Group during the half- year was mineral exploration and evaluation, and care and maintenance of its historically producing gold mines being the Davyhurst Gold Project and the Mt Ida Gold Project.

There were no significant changes in the nature of the Groups activity during the half- year.

RESULTS OF OPERATIONS

The net loss of the consolidated entity for the half- year ended 31 December 2013 was \$3,591,000 (31 December 2012: \$3,526,000)

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under Section 307C of the Corporations Act 2001 (Cth) ('Corporation Act') is included immediately following the Directors' Report and forms part of the Directors' Report.

EVENTS SUBSEQUENT TO THE END OF THE HALF YEAR

Loan Facility Agreement

On 14 April 2014, Swan, Investmet, Stirling, M6 Securities Limited (in its capacity as the Security Trustee), M6 Securities Limited (in its capacity as the Nominee under the Debt Nominee Deed), Carnegie, Mt Ida and Siberia entered into a loan facility agreement to set out the terms and conditions for the Debt (\$18,074,240), DCM Debt (\$4,200,000) and Stirling Debt (\$5,000,000) (Facility Agreement). Both the Debt and DCM Debt are owed to Investmet Ltd.

Under the Facility Agreement, Investmet, Stirling and the Other Lenders (third party purchasers of the debt) agreed to continue to make available the loan facility (consisting of the Debt, DCM Debt and Stirling Debt) to the Company. The Facility Agreement sets out the terms and conditions for the loan facility.

The proposed transactions can be summarised as follows:

- (a) *Debt conversion* - Investmet may elect to convert the Debt (in whole or in part) to Shares. If Investmet elects to do so, Stirling will be entitled to convert an amount of the Stirling Debt proportionate to the amount of the Debt that Investmet elects to convert.

If the Company does not have enough unallocated funds upon repayment of the debts and conversion of the Debt (and Stirling Debt) in order to meet reinstatement requirements of the ASX, Stirling may convert such amount of the Stirling Debt as would result in the Company being able to meet ASX's reinstatement requirements.

Investmet may also elect to convert the DCM Debt (in whole or in part) to Shares.

- (b) *Repayment on Equity Raising* - Upon the completion of an equity raising by the Company to raise funds to ensure that the Company has sufficient funds to satisfy any financial condition imposed by the ASX in connection with the re-quotation of the Company's securities (Equity Raising):
- (i) Investmet must elect to convert part or all of the Debt outstanding at the completion of the Equity Raising, provided that no more than \$5,000,000 of the Debt is subsisting immediately after;
- (ii) Stirling may elect to convert part or all of the Stirling Debt outstanding at the completion of the Equity Raising, provided that no more than \$2,500,000 of the Stirling Debt is subsisting immediately after. If

**SWAN GOLD MINING LIMITED AND CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2013
DIRECTORS' REPORT**

Stirling does not convert any or all of the Stirling Debt up to \$2,500,000 in accordance with its right of conversion, Stirling has agreed to act in good faith and convert any such amount of the Stirling Debt up to \$2,500,000 that would result in the Company being able to meet ASX's reinstatement requirements; and

- (iii) Investmet may elect to have the DCM Debt repaid (whole or in part) in cash from the proceeds of the Equity Raising, or by the issue of Shares, or elect to have all or part of the DCM Debt subsisting following the Equity Raising.
- (c) *Repayment and conversion on Maturity Date* - On the maturity date of the loan facility, being 30 June 2014 (Maturity Date), the Company will repay the Debt and the Stirling Debt (plus interest) outstanding on the Maturity Date by, at the election of the Company, the issue of Shares or in cash, provided that:
 - (iv) Investmet may elect for no more than \$5,000,000 of the Debt to subsist immediately after the Maturity Date; and
 - (v) Stirling may elect for no more than \$5,000,000 of the Stirling Debt to subsist immediately after the Maturity Date.

On the Maturity Date, Investmet may elect for the DCM Debt (and interest) outstanding on the Maturity Date to be repaid by, at the election of Investmet, the issue of Shares or in cash. Investmet may also elect that all or part of the DCM Debt subsists immediately after the Maturity Date.

- (d) *Loan Syndicate Arrangements* - The balance of the Debt, Stirling Debt and DCM Debt subsisting and owing following the partial conversion of the Debt will be held under loan syndicate arrangements (Loan Syndicate Arrangements) which will include:
 - (vi) general security interests over the Company (and its subsidiaries (if applicable)) and their respective assets;
 - (vii) a two year moratorium on principal repayments; and
 - (viii) a minimum interest rate of 6% or a rate to be agreed between the Company, Investmet, Stirling and the Other Lenders.

Upon completion of the moratorium period, the Company may choose to repay the outstanding principal in cash or convert it into Shares at a price no less than \$0.075 per Share (on a pre-Share Consolidation basis) or \$0.75 per Share (on a post-Share Consolidation basis) or as otherwise agreed by the parties.

Plaint Action relating to M16/262-264

On 31 January 2014 Swan Gold received the recommendation of the Warden that applications for exemption from expenditure that were heard in August 2012 in respect of M16/262-264 at the Lady Ida project area be refused. The tenements are held by Siberia Mining Corporation Pty Ltd ("Siberia Mining"), a wholly owned subsidiary of Swan Gold, and are also the subject of applications for forfeiture. Siberia Mining is preparing an application to the Supreme Court of Western Australia for judicial review of the Warden's recommendation, which it expects to finalise and lodge shortly.

In the opinion of the directors there is no additional information available as at the date of this report on any likely developments which may materially affect the operations of the consolidated entity and the expected results of those operations in subsequent years.

**SWAN GOLD MINING LIMITED AND CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2013
DIRECTORS' REPORT**

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to Swan Gold under the *ASIC Class Order 98/0100*. Swan Gold is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors.



Michael Fotios
Executive Chairman

Perth, Western Australia
13 May 2014

Auditor's Independence Declaration to the Directors of Swan Gold Mining Limited

In relation to our review of the financial report of Swan Gold Mining Limited and its controlled entities for the half-year ended 31 December 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



G H Meyerowitz
Partner
13 May 2014

**SWAN GOLD MINING LIMITED AND CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2013
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	31 Dec 2013	31 Dec 2012
	\$'000	\$'000
Revenue	17	46
Other income	941	94
Employee benefits expenses	(348)	(388)
Raw materials and consumables used	(224)	(209)
Administrative expenses	(665)	(504)
Finance costs	(920)	(34)
Exploration expenditure	(2,367)	(2,154)
Depreciation	-	(350)
Impairment of Property, plant and equipment	(25)	-
Other expenses	<u>-</u>	<u>(27)</u>
Loss before income tax expense	(3,591)	(3,526)
Income tax expense	<u>-</u>	<u>-</u>
Loss for the period	(3,591)	(3,526)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive loss for the period	<u><u>(3,591)</u></u>	<u><u>(3,526)</u></u>
Total comprehensive loss attributable to:		
Equity holders of Swan Gold	(3,591)	(3,526)
Non-controlling interest	<u>-</u>	<u>-</u>
	<u><u>(3,591)</u></u>	<u><u>(3,526)</u></u>
Loss per share attributable to the ordinary equity holders of the company:	Cents	Cents
Basic and diluted loss per share	(0.40)	(0.48)

The accompanying notes form part of these financial statements.

**SWAN GOLD MINING LIMITED AND CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2013
CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Notes	31 Dec 2013 \$'000	30 Jun 2013 \$'000
CURRENT ASSETS			
Cash and cash equivalents	3	1,898	236
Trade and other receivables		126	5,524
Prepayments		-	13
Inventory		-	63
TOTAL CURRENT ASSETS		<u>2,024</u>	<u>5,836</u>
NON-CURRENT ASSETS			
Property, plant and equipment		<u>3,000</u>	<u>3,000</u>
TOTAL NON-CURRENT ASSETS		<u>3,000</u>	<u>3,000</u>
TOTAL ASSETS		<u>5,024</u>	<u>8,836</u>
CURRENT LIABILITIES			
Trade and other payables		745	1,648
Loans and borrowings	4	30,771	30,114
Provisions		51	27
TOTAL CURRENT LIABILITIES		<u>31,567</u>	<u>31,879</u>
NON-CURRENT LIABILITIES			
Provisions		<u>4,148</u>	<u>4,148</u>
TOTAL NON-CURRENT LIABILITIES		<u>4,148</u>	<u>4,148</u>
TOTAL LIABILITIES		<u>35,716</u>	<u>35,937</u>
NET LIABILITIES		<u>(30,692)</u>	<u>(27,101)</u>
SHAREHOLDERS' DEFICIT			
Contributed equity	5	167,666	167,666
Accumulated losses		(203,692)	(200,101)
Reserves		5,292	5,292
Parent entity interest		(30,734)	(27,143)
Non-controlling interest		42	42
SHAREHOLDERS' TOTAL DEFICIT		<u>(30,692)</u>	<u>(27,101)</u>

The accompanying notes form part of these financial statements.

**SWAN GOLD MINING LIMITED AND CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2013
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Attributable to members of Swan Gold				Non-controlling interest	Total equity
	Contributed equity	Accumulated losses	Reserves		\$'000	\$'000
	\$'000	\$'000	\$'000	Total \$'000		
At 1 July 2012	164,666	(175,215)	5,292	(5,257)	42	(5,215)
Loss for the period	-	(3,526)	-	(3,526)	-	(3,526)
Total comprehensive income for the half year	-	(3,526)	-	(3,526)	-	(3,526)
At 31 December 2012	164,666	(178,741)	5,292	(8,783)	42	(8,741)
At 1 July 2013	167,666	(200,101)	5,292	(27,143)	42	(27,101)
Loss for the period	-	(3,591)	-	(3,591)	-	(3,591)
Total comprehensive income for the half year	-	(3,591)	-	(3,591)	-	(3,591)
At 31 December 2013	167,666	(203,692)	5,292	(30,734)	42	(30,692)

The accompanying notes form part of these financial statements.

**SWAN GOLD MINING LIMITED AND CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2013
CONSOLIDATED STATEMENT OF CASH FLOWS**

	Notes	31 Dec 2013 \$'000	31 Dec 2012 \$'000
Cash flows from operating activities			
Receipts from customers		57	23
Payments to suppliers and employees		(1,015)	(697)
Payments for mineral exploration expenditure		(3,712)	(919)
Interest received		17	46
Interest paid		(6)	(34)
Net cash outflow used in operating activities		<u>(4,659)</u>	<u>(1,581)</u>
Cash flows from investing activities			
Purchase of plant and equipment		(25)	-
Receipt of security deposits		5,197	-
Proceeds from sale of tenement		1,400	-
Net cash flow (used in)/from investing activities		<u>6,572</u>	<u>-</u>
Cash flows from financing activities			
Repayment of loans		(335)	1,475
Loans advanced from other parties		85	1,475
Net cash inflow from financing activities		<u>(250)</u>	<u>1,475</u>
Net (decrease)/increase in cash held		1,663	(106)
Cash at the beginning of the financial period		<u>236</u>	<u>259</u>
Cash at the end of the financial period	3	<u><u>1,898</u></u>	<u><u>153</u></u>

The accompanying notes form part of these financial statements.

**SWAN GOLD MINING LIMITED AND CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2013
NOTES TO THE FINANCIAL STATEMENTS**

1. BASIS OF PREPARATION OF HALF YEAR REPORT

This general purpose condensed financial report for the interim half year reporting period ended 31 December 2013 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by Swan Gold Mining Company Limited during the interim reporting period in accordance with continuous disclosure requirements of the ASX listing rules.

The group has adopted all the new revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective from 1 July 2013.

New and revised Standards and amendments thereof and interpretations effective for the current half-year that are relevant to the Group include:

- AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements Standard';
- AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements Standard';
- AASB 12 'Disclosure of Interests in Other Entities';
- AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'; and
- AASB 119 (Revised 2011) 'Amendments to Australian Accountings Standards – Employee Benefits'.

The adoption of these new and revised standards has not resulted in any significant changes to the Group's accounting policies or to the amounts reported for the current or prior periods.

The group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Going Concern

As at 31 December 2013, the Group's current liabilities exceeded its current assets by \$29.5 million and the group's Shareholders' deficit totalled \$30.7 million. The consolidated entity recorded a loss of \$24.9 million for the year ended 30 June 2013 and a loss of \$3.6 million for the half year ended 31 December 2013.

Loan Facility Agreement

On 17 April 2014 Swan Gold commenced restructuring its balance sheet through the execution of a Loan Facility Agreement with its major debt holders, Investmet Ltd and Stirling Resources Ltd. The agreement allows the Company to extinguish a majority of its debt through the issue of equity rather than a cash settlement. For details of the terms of the Agreement refer to note 6.

Readmission to the ASX and Fundraising

The Company is working towards the re-admission of its ordinary shares to official quotation on the ASX. As part of the re-admission process, the Company intends to raise upward of \$20 million via a placement to institutional sophisticated investors. Whilst there is strong appetite for the placement at this stage no binding term sheet exists nor is there any certainty that the placement will occur.

The ability of the Group to operate as a going concern and meet its debts as and when they fall due is primarily dependent upon the Directors meeting the terms and conditions under the Loan Facility Agreement and successfully recapitalising the Group. Failure to do so may result in the Group being unable to meet its debts as and when they fall due and realise its assets and settle its liabilities in the ordinary course of business. The financial report has been prepared on the basis that the consolidated entity will continue to meet their commitments and can therefore continue normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

**SWAN GOLD MINING LIMITED AND CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2013
NOTES TO THE FINANCIAL STATEMENTS**

The directors believe that at the date of signing the financial report there are reasonable grounds to believe that having regard to the matters set out above, the consolidated entity will be able meet the terms and conditions under the Investmet transaction and successfully recapitalise the Group.

Should the consolidated entity not achieve the matters set out below, there is significant uncertainty whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not be able to continue as a going concern.

2. SEGMENT INFORMATION

The Group has identified its segments based on the internal management reporting that is used by the executive management team in assessing performance and allocating resources. Segments have been identified as the ongoing care and maintenance and mine development work segment, and the exploration activities segment. The Group operates in one geographical segment – Australia.

The accounting policies used by the Group in reporting segment information internally, is the same as those contained in Note 1 to the financial statements.

The following items and associated assets and liabilities are not allocated to operating segments as management do not consider these to be part of the core operations of both segments:

- Impairment of assets
- Corporate assets and liabilities
- Administrative expenses.

Half year ended 31 December 2013	Mine Under Care and Maintenance \$'000	Exploration \$'000	Consolidated \$'000
Segment revenue	924	9	933
Unallocated revenue			25
Total revenue			958
Segment loss	(1,003)	(828)	(1,831)
Other unallocated corporate costs	-	-	(1,760)
Total loss			(3,591)
Segment assets	4,673	187	4,860
Other unallocated assets	-	-	164
Total assets			5,024
Segment liabilities	(4,451)	(152)	(4,603)
Provisions and trade and other payables	-	-	(341)
Loan from Stirling Resources Ltd	-	-	(5,152)
Loan from Investmet Pty Ltd	-	-	(25,620)
Total liabilities	-	-	(35,716)
<u>Included within segment loss:</u>			
Interest expense	(4)	(2)	(12)
Interest revenue	8	9	17
Unallocated interest expense	-	-	(913)
Unallocated revenue	-	-	5

**SWAN GOLD MINING LIMITED AND CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2013
NOTES TO THE FINANCIAL STATEMENTS**

Half year ended 31 December 2012	Mine Under Care and Maintenance \$'000	Exploration \$'000	Consolidated \$'000
Segment revenue	23	26	49
Other unallocated revenue	-	-	91
Total revenue			140
Segment loss	(660)	(2,143)	(2,803)
Other unallocated corporate costs	-	-	(723)
Total loss			(3,526)
Segment assets	12,096	22,633	34,729
Other unallocated assets	-	-	358
Total assets			35,087
Segment liabilities	(4,915)	(668)	(5,583)
Provisions and trade & other payables	-	-	(607)
Obligations to Group Trust	-	-	(9,970)
Obligation to Mt Ida Trust	-	-	(1,013)
Obligations to Territory Trust	-	-	(13,477)
Loans and borrowings	-	-	(13,158)
Total liabilities			43,808
<u>Included within segment loss:</u>			
Interest expense	(9)	(12)	(34)
Interest revenue	20	26	46
Unallocated interest expense	-	-	(13)
	-	-	

3. CASH

	31 Dec 2013 \$'000	30 Jun 2013 \$'000
Cash at bank	1,898	236

4. LOANS AND BORROWINGS

	31 Dec 2013 \$'000	30 Jun 2013 \$'000
Unsecured non- interest bearing loan (i)	30,771	30,114

- (i) The unsecured loan non- interest bearing loan is comprised of:
- \$5,151,000 Loan from Stirling Resources Ltd
 - \$25,620,000 Loan from Investmet Ltd

**SWAN GOLD MINING LIMITED AND CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2013
NOTES TO THE FINANCIAL STATEMENTS**

5. CONTRIBUTED EQUITY

	CONSOLIDATED	
	31 Dec 2013	30 Jun 2013
	\$'000	\$'000
(a) Share capital		
742,820,993 (30 June 2013: 742,820,993) ordinary fully paid shares	167,666	167,666
(b) Movements in ordinary share capital	Shares	\$'000
Balance 1 July 2012	742,820,993	164,666
Balance 31 December 2012	742,820,993	164,666
Balance 1 July 2013	893,487,661	167,666
Balance 31 December 2013	893,487,661	167,666

There were no share options issued during the current half year reporting period.

6. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Loan Facility Agreement

On 14 April 2014, Swan, Investmet, Stirling, M6 Securities Limited (in its capacity as the Security Trustee), M6 Securities Limited (in its capacity as the Nominee under the Debt Nominee Deed), Carnegie, Mt Ida and Siberia entered into a loan facility agreement to set out the terms and conditions for the Debt (\$18,074,240), DCM Debt (\$4,200,000) and Stirling Debt (\$5,000,000) (Facility Agreement). Both the Debt and DCM Debt are owed to Investmet Ltd.

Under the Facility Agreement, Investmet, Stirling and the Other Lenders (third party purchasers of the debt) agreed to continue to make available the loan facility (consisting of the Debt, DCM Debt and Stirling Debt) to the Company. The Facility Agreement sets out the terms and conditions for the loan facility.

The proposed transactions can be summarised as follows:

- (e) *Debt conversion* - Investmet may elect to convert the Debt (in whole or in part) to Shares. If Investmet elects to do so, Stirling will be entitled to convert an amount of the Stirling Debt proportionate to the amount of the Debt that Investmet elects to convert.

If the Company does not have enough unallocated funds upon repayment of the debts and conversion of the Debt (and Stirling Debt) in order to meet reinstatement requirements of the ASX, Stirling may convert such amount of the Stirling Debt as would result in the Company being able to meet ASX's reinstatement requirements.

Investmet may also elect to convert the DCM Debt (in whole or in part) to Shares.

- (f) *Repayment on Equity Raising* - Upon the completion of an equity raising by the Company to raise funds to ensure that the Company has sufficient funds to satisfy any financial condition imposed by the ASX in connection with the re-quotations of the Company's securities (Equity Raising):

- (ix) Investmet must elect to convert part or all of the Debt outstanding at the completion of the Equity Raising, provided that no more than \$5,000,000 of the Debt is subsisting immediately after;
- (x) Stirling may elect to convert part or all of the Stirling Debt outstanding at the completion of the Equity Raising, provided that no more than \$2,500,000 of the Stirling Debt is subsisting immediately after. If Stirling does not convert any or all of the Stirling Debt up to \$2,500,000 in

**SWAN GOLD MINING LIMITED AND CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2013
NOTES TO THE FINANCIAL STATEMENTS**

accordance with its right of conversion, Stirling has agreed to act in good faith and convert any such amount of the Stirling Debt up to \$2,500,000 that would result in the Company being able to meet ASX's reinstatement requirements; and

- (xi) Investmet may elect to have the DCM Debt repaid (whole or in part) in cash from the proceeds of the Equity Raising, or by the issue of Shares, or elect to have all or part of the DCM Debt subsisting following the Equity Raising.
- (g) *Repayment and conversion on Maturity Date* - On the maturity date of the loan facility, being 30 June 2014 (Maturity Date), the Company will repay the Debt and the Stirling Debt (plus interest) outstanding on the Maturity Date by, at the election of the Company, the issue of Shares or in cash, provided that:
 - (xii) Investmet may elect for no more than \$5,000,000 of the Debt to subsist immediately after the Maturity Date; and
 - (xiii) Stirling may elect for no more than \$5,000,000 of the Stirling Debt to subsist immediately after the Maturity Date.

On the Maturity Date, Investmet may elect for the DCM Debt (and interest) outstanding on the Maturity Date to be repaid by, at the election of Investmet, the issue of Shares or in cash. Investmet may also elect that all or part of the DCM Debt subsists immediately after the Maturity Date.

- (h) *Loan Syndicate Arrangements* - The balance of the Debt, Stirling Debt and DCM Debt subsisting and owing following the partial conversion of the Debt will be held under loan syndicate arrangements (Loan Syndicate Arrangements) which will include:
 - (xiv) general security interests over the Company (and its subsidiaries (if applicable)) and their respective assets;
 - (xv) a two year moratorium on principal repayments; and
 - (xvi) a minimum interest rate of 6% or a rate to be agreed between the Company, Investmet, Stirling and the Other Lenders.

Upon completion of the moratorium period, the Company may choose to repay the outstanding principal in cash or convert it into Shares at a price no less than \$0.075 per Share (on a pre-Share Consolidation basis) or \$0.75 per Share (on a post-Share Consolidation basis) or as otherwise agreed by the parties.

Plaint Action relating to M16/262-264

On 31 January 2014 Swan Gold received the recommendation of the Warden that applications for exemption from expenditure that were heard in August 2012 in respect of M16/262-264 at the Lady Ida project area be refused. The tenements are held by Siberia Mining Corporation Pty Ltd ("Siberia Mining"), a wholly owned subsidiary of Swan Gold, and are also the subject of applications for forfeiture. Siberia Mining is preparing an application to the Supreme Court of Western Australia for judicial review of the Warden's recommendation, which it expects to finalise and lodge shortly.

In the opinion of the directors there is no additional information available as at the date of this report on any likely developments which may materially affect the operations of the consolidated entity and the expected results of those operations in subsequent years.

7. CONTINGENT LIABILITIES

There were no contingent liabilities identified as at 31 December 2013.

8. FINANCIAL INSTRUMENTS

At 31 December 2013 and 31 December 2012, the carrying value of the Group's financial assets and financial liabilities approximate their fair value.

**SWAN GOLD MINING LIMITED AND CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2013
DIRECTORS' DECLARATION**

In accordance with a resolution of the directors of Swan Gold, I state that:

1. In the opinion of the directors:
 - a. The financial statements of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - i. Giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half year ended on that date.
 - ii. Complying with AASB 134 Interim Financial Reporting and Corporations Regulations 2001.
 - b. Subject to the matters disclosed in Note 1, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the half year ended 31 December 2013.

On behalf of the board



Michael Fotios
Executive Chairman

Perth, Western Australia
13 May 2014

Independent review report to members of Swan Gold Mining Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Swan Gold Mining Limited, which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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 a 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 consolidated entity's financial position as at 31 December 2013 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 Swan Gold Mining Limited and the entities it controlled during the half-year, 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*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

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 Swan Gold Mining Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 1 which describes the principal conditions that raise doubt about the consolidated entity's ability to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.



Ernst & Young



G H Meyerowitz
Partner
Perth
13 May 2014