



## QUARTERLY ACTIVITIES REPORT FOR THE QUARTER ENDED 30 JUNE 2012

Swan Gold Mining Limited (“Company”; “Swan”) presents its Quarterly Activities Report for the final quarter of the 2012 financial year.

### HIGHLIGHTS

- Transaction secured with Investmet Ltd

### Background

Despite coming out of Administration in early 2010, the Company was unable to obtain re-quotations of its securities on the ASX and remains suspended at the date of this report. The Company has, for the past two years, been unable to secure sufficient funding to conduct any meaningful exploration programs on the valuable asset base it holds. Working capital funds have been provided by DCM DECOMetal GmbH (“DCM”) over this period and the Company is still funded by working capital injections from DCM, until completion of the Transaction with Investmet Ltd (“Investmet”), as set out below, or earlier once an agreed interim funding mechanism can be executed between Investmet and the Company.

### Transaction with Investmet

On 3 May 2012 the Company announced it had entered into a binding Term Sheet (“Agreement”) with Investmet and DCM.

Under the terms of the Agreement, Investmet intends to recapitalize SWA and provide sufficient funding to complete a review into recommencement of operations at the Carnegie and Mt Ida gold projects; it will also work with the Company towards finalizing the application for re-listing of the Company’s shares on the ASX (subject to ASX approval) as soon as possible.

The main terms of the Agreement are as follows:

- SWA will conduct a share placement to sophisticated investors to raise working capital of a minimum of \$7.5million by the issue of new ordinary shares at \$0.02 on completion of the transaction. The issue will be fully underwritten by Investmet or its nominees;
- DCM will transfer 39,849,657 SWA shares to Investmet in consideration of a cash payment by Investmet to the Trustee of the Territory Trust of \$6.7million in satisfaction of all claims by the Territory Trust;
- The Group Trustee will transfer 134,483,578 SWA shares to Investmet as consideration for the payment of \$10.1million; the payment will also clear all claims by the Group Trust under the recapitalization deed;
- The Group Trustee will grant a call option to Investmet over 43,723,382 SWA shares at a price of \$0.10 within 2 years after re-quotations of SWA shares;
- The existing charges over the Carnegie assets in favour of the Territory Trust and



the Group Trust will be discharged and fresh security will be granted by SWA as required to Investmet or its associates;

- Investmet will advance \$1.23million to DCM in consideration of DCM discharging the existing charge over the Mt Ida assets; a fresh security will be granted by SWA as required by Investmet;
- DCM will fund ongoing operations of SWA until Completion
- Investmet may also provide additional funding on a secured convertible note basis, the terms of which shall be agreed between the parties.

The main conditions for Completion to occur include:

- Due diligence by Investmet;
- The share sale agreement between DCM and SWA dated 18 August 2011 (as varied) being terminated on Completion with no further liability for either party;
- The Recapitalisation Deed between SWA, Stirling Resources Ltd and others dated 21 June 2009 (as amended) being terminated on Completion with no further liability for SWA;
- Any plaintiff proceedings relating to the tenements of SWA and its subsidiaries to be discontinued or withdrawn on terms satisfactory to Investmet;
- All necessary shareholder and regulatory approvals being received.

The transaction is also conditional on the completion of inter-related transactions between Investmet, DCM and each of Stirling Resources Limited (ASX: SRE) and Redbank Copper Limited (ASX: RCP).

## **EVENTS SUBSEQUENT TO QUARTER END**

### **Status of tenements**

Over the course of the past two years a number of the tenement assets of the Company have come under pressure due to the Company having to allocate limited cash resources across such a significant tenement portfolio.

This has resulted in Plaints being registered across a number of the tenements in the last 18 months. A significant effort has been made, by third parties acting on behalf of Swan, to secure the asset base and the Company is pleased to announce that negotiations have been finalised with certain Plaintiff parties resulting in the Company securing tenure of the majority of its recognized resource assets into the future.

### **Funding**

Current working capital funding is being provided by DCM and, per the terms of the Swan Gold Restructure Deed (the significant terms of which were set out in the announcement of 3 May 2012) will continue to be provided by DCM through to completion of the Investmet Transaction. The Swan Gold Restructure Deed contemplated that an interim funding mechanism would be agreed with Investmet prior to completion and although the terms have been agreed the documents need to be executed by both the Company and Investmet.



## Board Changes

On 27 July 2012 the Company announced major changes to its board, with the appointment of Mr Damian Delaney, Mr Martin Depisch and Dr Gerhard Kornfeld as non-executive directors.

The new board is focused on completion of the transaction described above. Their primary objective is the protection of the current asset base, the securing of funding to take the Company forward and the relisting of the Company's shares on the ASX, including making sure the Company clears any backlog of outstanding regulatory issues.

Damian Delaney  
Director

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