

("Sylvania" or "the Company")  
ASX / AIM (SLV)  
A.C.N. 091 415 968  
Issued shares: 243,079,254

29 January 2010

## Quarterly Report 31 December 2009

### HIGHLIGHTS

- **PGM production increased by 22% from the previous quarter to 6,807 ounces**
- **Net revenue R52 million, an increase of 60% compared to the previous quarter**
- **Strategic alliance entered into with Jubilee Platinum Plc ("Jubilee")**
- **Phase one drilling programme completed at Hacra project**
- **£10 million (A\$18 million) raised to fund platreef bankable feasibility study and fast track Tweefontein plant**
- **Platinum basket price increased 17% compared to the previous quarter**

### GROUP OVERVIEW

PGM production increased by 22% from the previous quarter to a total of 6,807 ounces (September 2009 Q 5,558 ounces). This, together with an increase in the basket price resulted in an increase in net revenue for the quarter to R52 million, an increase of 60%. The gross cash margin for the Sylvania dump operations increased to 46% which is a quarter on quarter increase of 39%. Cash costs were relatively constant at R4,080/oz. Included in the average cash cost are overhead costs, as well as the commissioning costs of both Lannex and Mooinooi. The low ounce production on these newly completed plants as a result of the commissioning phase has further affected the cash cost per ounce; this will decrease as they reach a more steady state of production. Plant feed increased to 223,530 tons and feed grade was on average 2.49g/t PGM. The overall feed grade has reduced while the Lannex and Mooinooi operations work through material from the outer edges of their respective dumps towards the inner cores, which traditionally have a higher grade. Plant recovery increased marginally to 39.6%. The increase in feed tons was mainly attributed to the improved production at Lannex and the outstanding performance of the Millsell plant.

During the quarter ended 31 December 2009, Sylvania started the transformation from a retreatment-only operation to a near surface mining operation as well as continuing with our low cost dump processing. The capital raised through a successful £10 million equity placing will enable Sylvania to further develop its Grass Valley project from an indicated resource to a measured resource. Bulk sample large diameter drilling contracts have been placed with a contractor and this bulk sample extraction should be completed during the quarter to 31 March 2010, fast tracking the potential near surface mining of low grade material in the Northern Limb of the Bushveld Igneous Complex. The strategic alliance between Sylvania and Jubilee and successful smelting trials using the Jubilee Con-Roast technology further supports the viability of future mining operations on these platreef deposits. The additional capital will also be used in order to expedite the construction of the Tweefontein dump processing plant and the acquisition of the portion of the material in the dumps owned by Lonmin at the Mooinooi operation. The increasing Platinum price has improved Sylvania's profitability and market forecasts remain positive in this regard.

* Unaudited - Group	Unit	Previous Quarter Sep 2009	Current Quarter Dec 2009	% Change
<b>Financials</b>				
Revenue	R'000	32,615	52,174	60%
Ave R/US\$ rate	R/US\$	7.49	7.49	-
<b>Production</b>				
PGM Plant Feed Tons	t	99,786	116,313	17%
3E and Au	Oz	5,558	6,807	22%

## A. SYLVANIA DUMP OPERATIONS

### Health, safety and environment

During Q2 of FY 2010 the Sylvania Dump Operations had no significant incidents or accidents. Constant attention is being paid to education and improving safety procedures in order to attain the highest standard possible. Sylvania remains compliant with all Safety standards and systems. There were no reportable environmental incidents during the December quarter.

### Sylvania Dump Operations (100%) : Statistical Information

* Unaudited	Unit	Previous Quarter Sep 2009	Current Quarter Dec 2009	+ - % Quarter on Quarter	YTD 6 Months to Sep 2009
<b>Revenue</b>					
Revenue	R'000	30,079	47,810	59%	77,889
Gross Basket Price	US\$/oz	1,107	1,300	17%	1,273
Net Basket Price	US\$/oz	784	945	21%	912
Gross Cash Margin - SDO	%	33%	46%	39%	41%
Capital Expenditure	R'000	48,509	11,468	-76%	59,977
Ave R/US\$ rate	R/US\$	7.49	7.49	-	7.49
<b>SDO Cash Cost</b>					
Per PGM Feed ton	R/t	251	264	5%	258
Per PGM Feed ton	US\$/t	34	35	3%	34
Per 3E & Au oz	R/oz	4,047	4,120	2%	4,088
Per 3E & Au oz	US\$/oz	540	550	2%	546
<b>Production</b>					
Plant Feed	t	193,671	223,530	15%	417,201
Feed Head Grade	g/t	3.30	2.49	-25%	2.55
PGM Plant Feed Tons	t	82,563	98,024	19%	180,587
PGM Plant Grade	g/t	5.02	5.00	-	5.01
PGM Plant Recovery	%	38.9%	39.6%	2%	39.1%
Total 3E and Au	Oz	5,123	6,285	23%	11,408



## **Millsell**

The Millsell operation achieved record production during the quarter, producing a total of 2,455 ounces despite the mine closing during the December holiday period. In addition, the Millsell operation produced a monthly record of 924 ounces in November. Millsell is still mining the rich inner core of the tailings dam. The float section is operating continuously at its design capacity of 11,000 tons feed per month. The head grade increased to 2.53 g/t compared to the 2.12 g/t of last quarter whilst float recoveries remained constant at 41%. Plant availability remains above 92% for the entire operation. Costs at Millsell are being effectively controlled and were reduced even further this quarter to R2,181/oz.

## **Steelpoort**

The Steelpoort operation produced 2,317 ounces for the current quarter, a 50 ounce increase compared to the previous quarter, from an average head grade of 3.33g/t. Float recoveries remained at 44% whilst plant uptime increased to above 90% during this quarter. Additional maintenance expenditure to improve the plant uptime increased the operating costs to R3,240/oz.

Improvements to optimise the column cell during this quarter resulted in an increase in concentrate grade and an increase in recoveries is expected for the next quarter. This column cell installation is helping reduce the chrome content in the final concentrate thus reducing smelter penalties.

## **Lannex**

The Lannex operation showed improvement during the current quarter, producing a total of 1,310 ounces from an average head grade of 2.12 g/t and PGM float recoveries improved to 32%. The operating cost of the plant for the quarter amounted to R4,458/oz. This is attributable mainly to the start up and commissioning of this new operation and that it is operating well below design capacity.

The total plant feed is still curtailed due to a limitation on the tailings disposal. A number of meetings have been held with the Department of Minerals and Resources ("DMR") to fast track the approvals required to proceed with the construction of the new tailings dam which will enable the full ramp up to plant design capacity.

The key focus areas for the Lannex operation are plant uptime, float recoveries and consistent concentrate grades.

## **Mooinooi**

The construction of the Mooinooi plant was completed during the quarter and the first slurry was processed through the plant on the 11<sup>th</sup> November 2009. The Mooinooi operation produced a total of 203 ounces from a head grade of 1.17 g/t. Commissioning is still in progress and the primary focus at this plant is to increase plant uptime to ensure float stability.

The run of mine section is still under construction and when this section is completed it is anticipated that a greater percentage of un-oxidized feed will help with improving recovery and grade on this plant.

The Mooinooi dump operation is expected to process a total of 1.95 million tons, with an average grade of 1.2g/t 3PGE + Au in addition to current arisings.

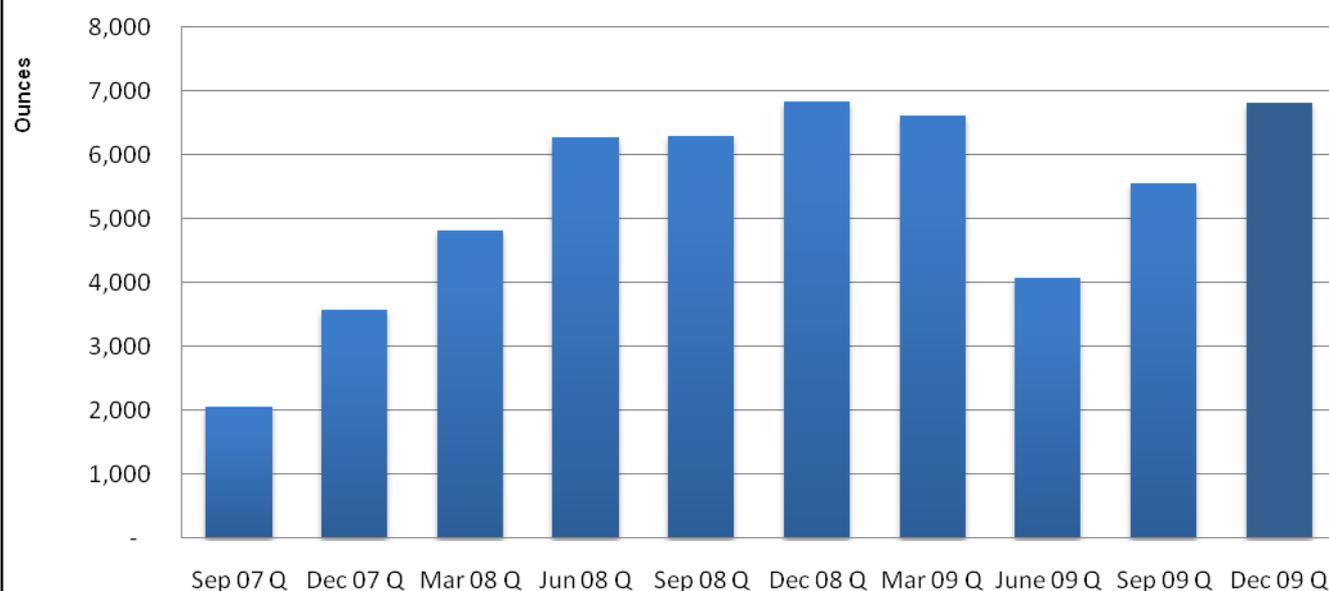
## **Doornbosch**

A total of R4.3 million was spent on construction activities during the current quarter bringing the total capital expenditure on the plant construction to R81.1 million. This plant has been designed and constructed to process only current risings.

Commissioning is scheduled for May 2010.



## Sylvania Resources Quarterly production of 3E+Au (ounces)



### B. CTRP (Sylvania 25% attributable, managed by Aquarius Platinum)

CTRP saw an increase in ounces produced of 522 ounces and maintained the recovery rate improvement from the previous quarter, increasing marginally from 36% to 38%. Plant feed tons were also slightly higher at 18,289 tons for the quarter.

#### CTRP (25%): Statistical Information

* Unaudited	Unit	Previous Quarter Sep 2009	Current Quarter Dec 2009	+ - % Quarter on Quarter	YTD 6 Months to Dec 2009
<b>Revenue</b>					
Revenue	R'000	2,536	4,364	72%	6,900
Basket Price	US\$/oz	1,066	1,183	11%	1,130
Ave R/US\$ rate	R/US\$	7.85	7.47	-5%	7.55
<b>Site Cash Cost</b>					
Per ROM ton	R/t	85	84	-1%	84
Per ROM ton	US\$/t	11	11	-	11
Per PGM oz	R/oz	3,380	2,951	-13%	3,105
Per PGM oz	US\$/oz	431	395	-8%	411
<b>Production</b>					
Plant Feed Tons	t	17,223	18,289	6%	35,513
Grade	g/t	2.20	2.34	6%	2.28
Recovery	%	36%	38%	6%	37%
Total 3E and Au	Oz	435	522	20%	957



## C. PLATREEF OPERATIONS

### Hacra Project

The Hacra project comprises three farms on the Northern Limb of the Bushveld Igneous Complex, namely, Harriet's Wish, Aurora and Cracouw. During the current quarter 5 holes were drilled covering 868 metres. A total of R1.36 million was spent on this exploration programme and the 416 samples are currently being analysed by SGS South Africa (Pty) Ltd, an accredited SANAS ISO17025 laboratory. A geological model utilising the new and existing data will be constructed once all samples have been analysed.

The DMR conducted a compliance audit on these properties in October 2009, and consent in terms of Section 11 of the MPRDA to the transfer of the Prospecting Rights to Hacra is still outstanding.

### Aurora Project

The Aurora project area comprises seven farms namely, Kransplaats 422LR, Nonnenwerth 421LR, La Pucella 693LR, Altona 696LR, Non Plus Ultra 683LR, Schaffhausen 689LR and Luge 697LR, to the immediate south of the Hacra properties

Re-logging of selected boreholes on sections through the so-called "target" areas designated by PPD SA in the 2004-2005 drilling programme, has been completed during the current quarter. These logs (44 boreholes & 12,515m of core) have been captured to the database and sections produced. Interpretation of the geology, aimed at identifying continuity of host lithologies or stratigraphy is being applied to the boreholes not included in the target zone re-logging. Review logging of certain of these holes will be undertaken to confirm the stratigraphy applied to the original lithological logs.

### Grass Valley Project

The Grass Valley project comprises the farm Volspruit 326KR and a portion of Zoetveld 294KR. Preparations for the large core bulk sample drilling programme have been started on the northern ore body on the farm Volspruit. Land access permission has been negotiated with the land owner to start the bulk sample drilling programme. This drilling of the bulk sample will be completed in 6 to 8 weeks once permission is received and will be used to upgrade the resource from a historic indicated resource to a measured JORC compliant resource. The bulk sample will be analysed for grade, metallurgical extraction (floatation) and the recovered concentrate will be smelted in the Jubilee facility at Mintek to assess the quantity of metal alloy that can be recovered. This bulk sample and metallurgical test work will form part of the input information that will be required to complete the Grass Valley bankable feasibility study.

## D. SYLVANIA GROUP

### Black Economic Empowerment Transactions update

As reported in the previous quarterly report, the Black Economic Empowerment ("BEE") shareholder, Ehlobo Metals (Pty) Limited ("Ehlobo"), of two of the Sylvania subsidiary companies being Sylvania Metals (Pty) Limited and Sylvania Minerals (Pty) Limited (the "Companies") has indicated that it is desirous to exchange its shares in the Companies for shares in the Sylvania listed entity. Ehlobo currently holds 26% of the issued share capital of the Companies and Sylvania holds the balance.

Negotiations with new BEE partners to replace Ehlobo are on-going and are expected to be finalised during the quarter to 31 March 2010. It is intended that the transactions will take place concurrently to ensure that the Companies remain BEE compliant. Any new Sylvania shares issued to Ehlobo as part of this process are expected to fall within the Company's existing authorities to issue new shares.

### Vygenhoek Mining Application (Everest North)

A date for the arbitration hearing for the on-going dispute between Aquarius Platinum SA (Pty) Limited (AQPSA) and Sylvania regarding the submission by Sylvania of an application for a Mining Right over Mineral Area 2 of the farm Vygenhoek in the Province of Mpumalanga, has been set for July 2010.



Sylvania contends that in terms of the Agreement, it was appointed by AQPSA as its agent to apply for a Mining Right over the aforementioned property and simultaneously apply to transfer the Mining Right to Sylvania.

Sylvania and its legal advisors are optimistic that the matter will be resolved in Sylvania's favour.

The environmental impact assessment program is ongoing internally; however it has been suspended in terms of official submissions. The program will resume once the outcome of the arbitration has been determined.

### **SA Metals Royalty Agreement**

Sylvania has successfully negotiated and concluded an agreement with Minex Projects (Pty) Limited (Minex) for the cancellation of a claim against SA Metals Limited ("SA Metals") (previously Pan Palladium Limited) for future royalties of 3% on sales of minerals extracted from certain defined properties where SA Metals holds the Mineral Rights. In terms of the new agreement signed with Minex, Sylvania will pay R5 million and issue 3,000,000 Sylvania shares to Minex in return for the termination/cancellation of the Royalty Agreement. This represents a substantial discount to the value of the claim.

The agreement between Sylvania and Minex is subject to Sylvania, by 30 June 2010 conducting metallurgical test work on the properties to its reasonable satisfaction.

### **Great Australian Resources Limited (GAU)**

On 16 October 2009, Sylvania announced that the compulsory acquisition of the remaining shares of GAU had been completed and the Company now holds 100% of the issued share capital in GAU.

### **Jubilee/Sylvania Alliance**

On 2 November 2009 a joint announcement was made by Sylvania and Jubilee that they intend to partner in order "to provide a total capacity solution for the processing of the platinum group metals (PGMs) to the secondary PGM sector." The strategic alliance between Jubilee and Sylvania offers a chrome insensitive smelting solution which is also environmentally friendly, safe and cost effective.

Successful results have been achieved from recent smelting trials. A recovery of approximately 99% of the PGM's was recorded for the low PGE grade (85g/t 6E), high chrome content (7%) concentrate trialled. The smelter performance and safety was in no way compromised by the high chrome content and posed no risks to the PGM recovery.

Further trials will be conducted on low grade concentrates from other Sylvania dump operations, as well as concentrates produced from bulk sampling at the Grass Valley Platreef resource in the Northern Limb of the Bushveld Igneous Complex.

Detailed binding contracts setting out the terms of the strategic alliance are currently in an advanced stage and more announcements on this will follow shortly.

### **Mooinooi Dump Rights**

Sylvania has entered into an agreement with Western Platinum Limited ("Lonmin") to acquire its rights to exploit the PGE tailings on the Mooinooi tailings dumps and the current arisings derived from Samancor's chrome mining activities in the MG1 seam under Lonmin's land. This acquisition will substantially increase the life of the Mooinooi plant.

The Lonmin rights derive from a commercial agreement entered into between Samancor and Lonmin whereby Samancor mined for chrome on a property owned by Lonmin and in the process also extracted Platinum Group Metals ("PGM's") in that chrome horizon. Sylvania has agreed to purchase these rights for a total of R45 million (approximately £3.8 million or A\$6.6 million) of which R35 million is payable by 1 February 2010 and the balance by 30 June 2010. Lonmin has a right of first refusal to match the terms of any bona fide agreement to be entered into between Sylvania and a third party in respect of the PGM concentrate produced from these tailings operations.



## Equity Placing

On 17 December 2009 Sylvania completed a successful equity placing of £10million (A\$18 million) at 40p/share (0.72c/share). The full placement of 25 million shares was taken up by M&G Recovery Fund. The fund now owns 10.65% of Sylvania's listed equity.

The funds raised by the equity placement will be used to fund three major projects.

- The declaration of a measured JORC compliant resource for the Grass Valley project inclusive of metallurgical test work and smelting trials, culminating in the preparation of a definitive bankable study;
- Accelerating the purchase of long-lead items for the construction of the Tweefontein plant;
- Acquisition of the Lonmin dumps detailed above to provide additional feed to the Mooinooi plant; and
- for general working capital and corporate purposes.

## CORPORATE INFORMATION

**Registered office:** Sylvania Resources Limited  
Unit 2, Level 1  
Churchill Court  
331 – 335 Hay Street  
Subiaco WA 6008  
Australia  
(+61 8) 9226 4777

**Postal address:** PO Box 524  
Wembley WA 6913  
Australia

## CONTACT DETAILS

<b>South Africa:</b>	Terry McConnachie (Managing Director) Sylvania Resources Limited (+27 11) 673 1171	Louis Carroll (CFO/Joint Company Secretary) Sylvania Resources Limited (+27 11) 673 1171
----------------------	---	---

<b>Australia:</b>	Richard Rossiter (Chairman) Sylvania Resources Limited (+61 8) 9226 4777	Grant Button (Joint Company Secretary) Sylvania Resources Limited (+61 8) 9226 4777
-------------------	---	--

<b>United Kingdom:</b>	Richard Brown Ambrian Partners Limited (+44 20) 7634 4700	Laurence Read Threadneedle Communications (+44 20) 7653 9855
------------------------	---	--

**Sylvania Website:** [www.sylvaniamresources.com](http://www.sylvaniamresources.com)

The technical exploration and mining information contained in this report was compiled by Mr Ed Nealon, a former Sylvania Resources Limited director. Mr Nealon provides consulting services via his company Athlone International Pty Limited. Mr Nealon is a member of the Australasian Institute of Mining and Metallurgy and is considered to be a Competent Person in his respective area of expertise pursuant to the Australasian Code for Reporting of Mineral Resources and Ore Reserves. Mr Nealon consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.



## Appendix 5B

### Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98.

Name of entity

**SYLVANIA RESOURCES LIMITED**

ACN or ARBN

**091 415 968**

Quarter ended ("current quarter")

**31 December 2009**

#### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	5,988	11,295
e1.2 Payments for		
(a) exploration and evaluation	(8)	(56)
(b) development	(3,299)	(12,672)
(c) production	(2,934)	(5,935)
(d) administration	(3,357)	(7,280)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	127	293
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid	59	59
1.7 Other	177	588
<b>Net Operating Cash Flows</b>	<b>(3,247)</b>	<b>(13,708)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets	(30)	(118)
(d) financial assets	(2)	(2)
1.9 Proceeds from sale of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets		
(d) financial assets		
1.10 Loans to other entities	(23)	(26)
1.11 Loans repaid by other entities	(322)	(323)
1.12 Other (provide details if material)		
<b>Net investing cash flows</b>	<b>(377)</b>	<b>(469)</b>
1.13 Total operating and investing cash flows (carried forward)	(3,624)	(14,177)



1.13	Total operating and investing cash flows (brought forward)	(3,624)	(14,177)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	18,419	18,669
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	377	420
1.17	Repayment of borrowings	(8)	(16)
1.18	Dividends paid		
1.19	Other – capital raising costs	(973)	(973)
	<b>Net financing cash flows</b>	<b>17,815</b>	<b>18,100</b>
	<b>Net increase (decrease) in cash held</b>	<b>14,191</b>	<b>3,923</b>
1.20	Cash at beginning of quarter/year to date	22,346	32,278
1.21	Exchange rate adjustments to item 1.20	(731)	(395)
1.22	<b>Cash at end of quarter</b>	<b>35,806</b>	<b>35,806</b>

## Payments to directors of the entity and associates of the directors Payments to related entities of the entity and associates of the related entities

	Current quarter \$A'000
1.23 Aggregate amount of payments to the parties included in item 1.2	427
1.24 Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

## Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest



## Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

## Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	695
4.2 Development	6,518
<b>Total</b>	<b>7,213</b>

## Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	22,125	1,225
5.2 Deposits at call	13,681	18,468
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>35,806</b>	<b>19,693</b>

## Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased *Pending the Minister approval of transfer of rights			



## Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3)	Amount paid up per security (see note 3)
7.1 Preference +securities (description)	-	-		
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy- backs, redemptions				
7.3 +Ordinary securities	218,079,254	218,079,254	N/A	N/A
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy- backs	26,123,990	26,123,990	N/A	N/A
7.5 +Convertible debt securities (description)	-	-		
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options (description and conversion factor)	600,000 457,435 359,909 400,000 600,000 5,633,000 6,000,000	Nil Nil Nil Nil Nil Nil Nil	Exercise price \$0.75 \$1.40 \$1.40 \$2.89 \$2.67 \$1.63 \$1.05	Expiry date 30 June 2010 30 June 2010 30 June 2011 30 June 2011 30 June 2011 30 June 2011 30 June 2012
7.8 Issued during quarter				
7.9 Exercised during quarter	375,000	Nil	\$0.50	
7.10 Expired during quarter				
7.11 Debentures (totals only)	-	-		
7.12 Unsecured notes (totals only)	-	-		



## Compliance statement

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).
2. This statement does give a true and fair view of the matters disclosed.



Sign here:

Date: 29 January 2010

Print name:

Chief Financial Officer  
Louis Carroll

## Notes

---

1. This quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
3. **Issued and quoted securities** - The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
4. The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
5. **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

== == == == ==

