



("Sylvania" or the "Company")

(ASX/AIM: SLV)

A.C.N. 091 415 968

2009 Financial Year

Quarterly report 30 September 2008

Key features for the quarter

Sustained and solid operational progress for Sylvania in tough market conditions:

- Proven profitability despite downturn in metal prices
- Lower revenues reflect 45% decline in metal basket price
- PGM production sustained at 6,295 oz (3E+Au)
- Millsell, Steelpoort plants: uninterrupted operations
- Cash costs reduced by 11% to R2,491/PGM oz
- Ongoing capital investment programme



Overview

Unaudited	Unit	Quarter Mar 2008	Quarter June 2008	Current quarter Sept 2008
Financials				
Revenue	R'000	95,330	92,535	45,911
Minority interest BT & exchange variances	R'000	14,182	900	4,703
Net profit BT & exchange variances (attributable)	R'000	55,980	64,954	17,924
Ave R/\$ rate	R/\$	7.98	7.92	8.03
Production				
Plant feed tonnes*	t	66,437	63,419	76,490
3E and Au	oz	4,801	6,264	6,295

*Restated to comply with future reporting on the basis of PGM plant feed tonnes instead of overall plant feed tonnes.

Operational results for the quarter continue to demonstrate the success of Sylvania's model of extracting PGMs from low-risk surface chrome tailings, albeit in a completely different market environment.

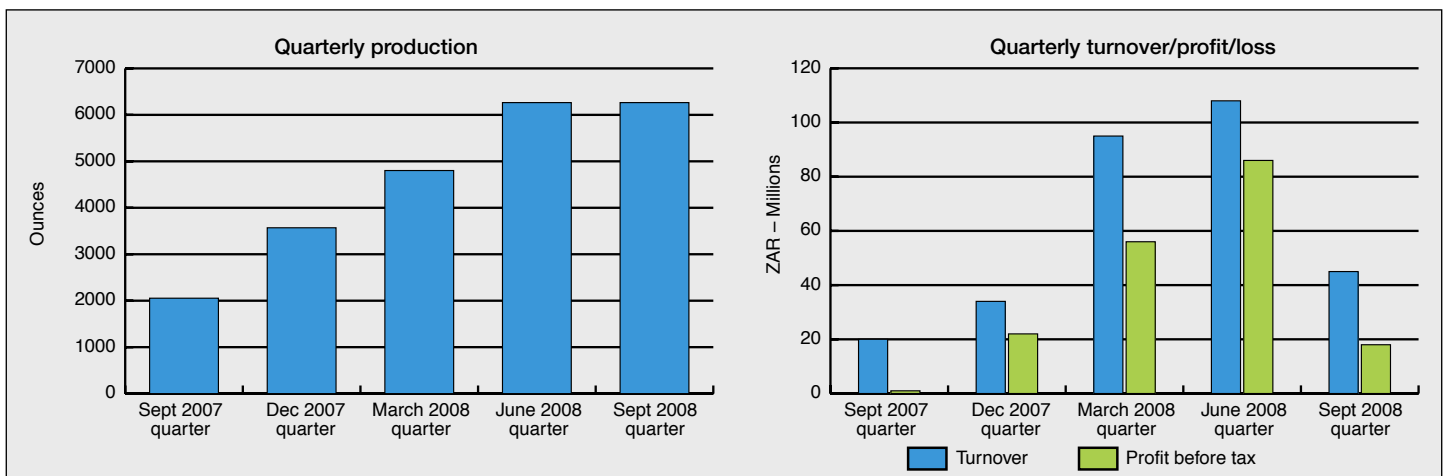
The higher total production of 6,295 oz (3E+Au) was an excellent outcome in the quarter, but did little to offset the 45% decline in the basket price over the period. Consequently, revenues at R46 million were similarly affected.

Cost control at Millsell and Steelpoort in the period was excellent, with unit cash costs 11% lower at R2,491/PGM oz. This outcome is attributable largely to the sustained volume build-up and improved efficiencies.

The safety performance at the Sylvania plants continues to be satisfactory, with an improvement recorded in the lost time injury frequency rate (LTIFR) from 1.38 to 1.10. Taking account of the construction activities at the various plants, this is a very commendable result for the quarter, and reflects the ongoing focus on a range of sustained safety initiatives.

We remain committed to capital investment in our growth projects and continue steadily to generate cash to fund expansion. The additional capacity which is expected to come on stream in the first half of 2009 with the commissioning of the Lannex and Mooinooi plants, will expand our footprint in this low-risk sector of the PGM market, and we will be well positioned to take advantage of rising prices when the markets recover.

Sylvania Resources



Sylvania Dump Operations (SDO) (100%)

Unaudited	Unit	Quarter	Quarter	Current	± %
		Mar 2008	June 2008	quarter Sept 2008	quarter on quarter
Revenue					
Revenue	R'000	81,902	81,265	44,363	-45%
Basket price	\$/oz	2,737	2,692	1,494	-45%
Gross cash margin - SDO	%	84%	79%	59%	-25%
Capital expenditure	R'000	20,601	20,468	58,477	186%
Ave R/\$ rate	R/\$	7.98	7.92	8.03	1%
SDO Cash Cost					
Per PGM tonne	R/t	295	349	247	29%
	\$/t	37	44	31	30%
Per PGM oz	R/oz	3,186	2,789	2,491	11%
	\$/oz	399	352	310	12%
Production					
PGM plant feed tonnes	t	50,594	46,015	59,085	28%
PGM plant grade	g/t	5.52	7.11	5.59	-21%
PGM plant recovery	%	56.4%	54.7%	55.1%	1%
Total 3E and Au	Oz	4,224	5,753	5,854	2%

Having reached full design capacity at the end of the 2008 financial year (F08), both the Millsell and Steelpoort plants continued uninterrupted operations at healthy levels for the quarter under review. Production from SDO rose by 2% to 5,854 oz.

Performance-enhancing bead mills have been installed at Steelpoort and Millsell, and an improvement of up to 3% in recoveries has already been achieved. The success of this installation has prompted the installation of additional 18.5kW bead mills at both plants. At Steelpoort these were commissioned in October, while Millsell commissioning is planned for November. These installations are expected to lift recoveries further by around 10% in the second quarter of the financial year.

The 45% drop in the average basket price of US\$1,494/oz (June quarter: US\$2,692/oz) received in the quarter was reflected in a similar percentage decline in revenue from R81 million to R44 million.

This was a disappointing result, given the 28% rise in PGM plant feed tonnes to 59,085 from 46,015, and the increase in total production to 5,854 oz (3PGE+Au). The 21% decline in grade, attributable to normal fluctuations in the quality of feed, was partially offset by a 1% increase in recoveries.

Capital expenditure at R58 million for the quarter was in line with forecasts and was allocated mainly to the construction associated with the new Lannex and Mooinooi plants. Capital expenditure is expected to more than double in the next quarter as these projects gain momentum.

Sylvania Dump Operations (SDO) (100%) (continued)

Construction of the new Lannex and Mooinooi plants, with a combined processing capacity of 46 000 tpm flotation plant feed, is proceeding on schedule. Construction of the Lannex plant is expected to be completed by the end of the 2008 calendar year with commissioning due in January 2009. The Mooinooi plant is due to be commissioned in the fourth quarter of the financial year. This plant will treat ROM from the Buffelsfontein East Mine, the Mooinooi plant current arisings and dump reclamation tailings where the rights are held.

The Mooinooi project is scheduled in three phases, and will comprise the following key developments:

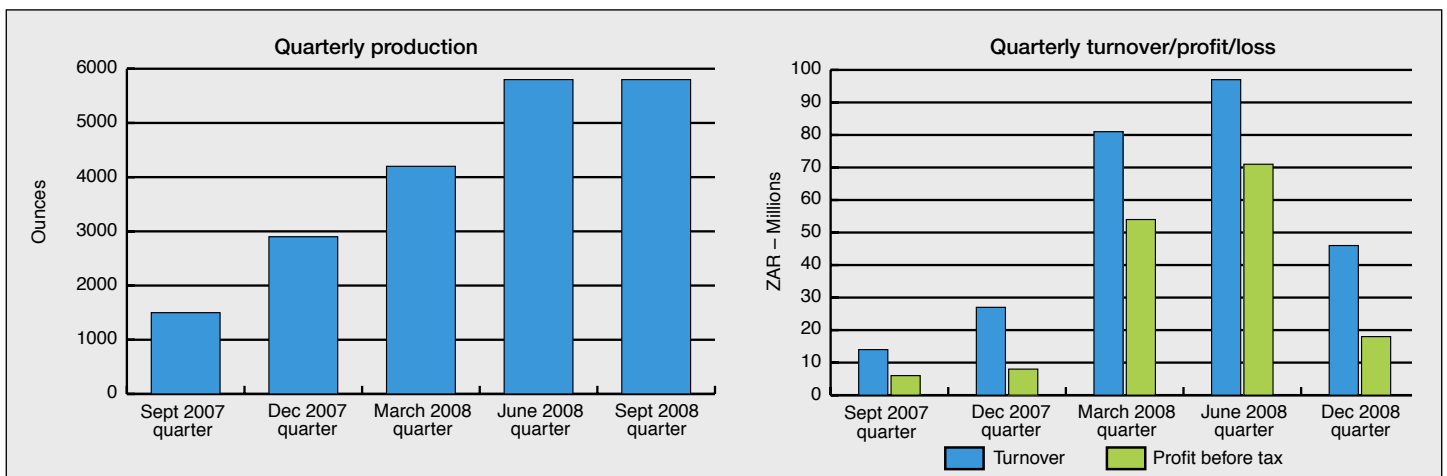
Phase 1: treating chrome stockpiles for Samancor from the new concentrator plant at Mooinooi. A total of 8 400 tonnes of chrome concentrate was recovered in this phase. Further modifications, scheduled for completion in the third quarter of the financial year, are being implemented.

Phase 2: upgrading the spirals plant to treat coarse material; and the installation of the ROM infeed system, crusher, screen, mill, thickener and the upgrade also of the electrical system for this purpose. This phase is expected to be completed towards the end of the second quarter of the financial year. The plant will then be in a position to receive ROM MG1 chrome ore feed from the Buffelsfontein East Mine. The lumpy material emanating from the plant will be stockpiled for transport to Samancor, while the finer material will be milled to recover chrome fines and PGM tailings in the existing chrome plant.

Phase 3: constructing the tailings classification plant and the PGM tailings flotation plant for remining of the dump material. The PGM recovery section and additional chrome plant is due for completion by the end of the third quarter of the financial year, while the entire plant will be commissioned at the end of the fourth quarter of the financial year.

Construction of the Broken Hill chrome treatment plant and the new void tailings facility were completed and commissioned for production in mid-October. The dump and PGM recovery plant are scheduled for completion in December, with commissioning due in January 2009.

Sylvania Dump Operations (SDO)



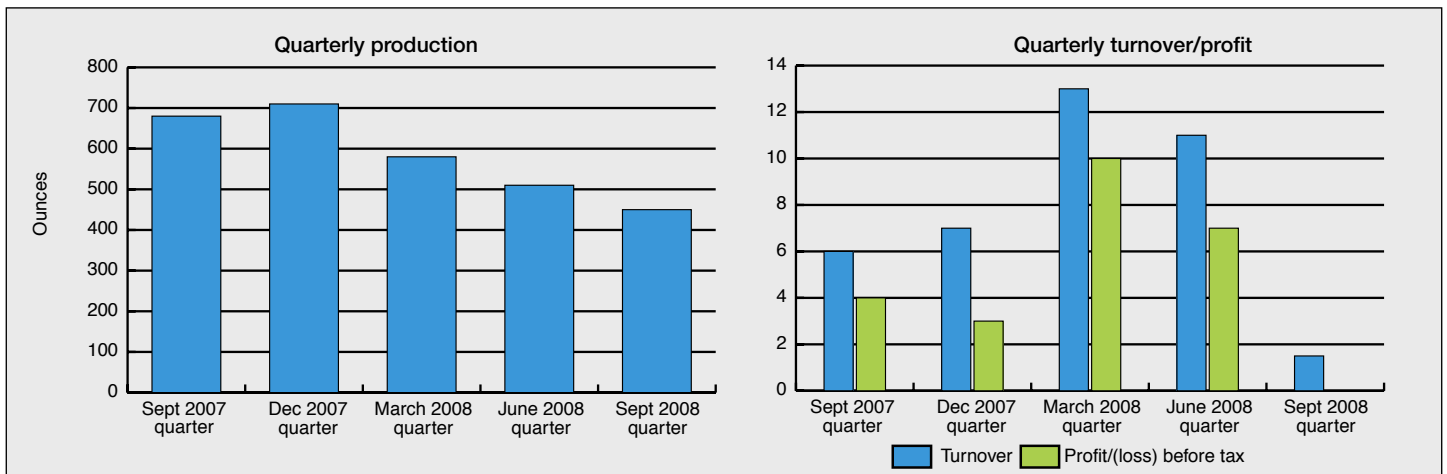
Chrome Tailings Retreatment Project (CTRP) (25% attributable)

Unaudited	Unit	Quarter		Current	± %	YTD
		Mar 2008	June 2008	quarter Sept 2008	quarter on quarter	3 months to Sept 2008
Revenue						
Revenue	R'000	13,428	11,270	1,547	-86%	1,547
Basket price	\$/oz	2,483	2,850	2,251	-21%	2,251
Gross cash margin	%	88%	80%		-100%	0%
Ave R/\$ rate	R/\$	7.40	7.76	7.75	0%	7.75
Site cash cost						
Per ROM tonne	R/t	103	127	96	24%	96
	\$/t	14	16	12	11%	12
Per PGM oz	R/oz	2,818	4,329	3,785	13%	3,783
	\$/oz	381	558	488	12%	488
Production						
Plant feed tonnes	t	15,843	17,404	17,405	0%	17,405
Grade	g/t	4.58	3.25	2.66	-18%	2.60
Recovery	%	25%	29%	33%	14%	31%
Total 3E and Au	Oz	577	511	441	-14%	441

Attributable production of PGMs at 441 oz (3PGE+Au) was 14% lower than in the June quarter, resulting largely from a drop of 18% in the grade from 3.25g/t to 2.66 g/t, and in spite of feed to the plant remaining unchanged at 17,405 tonnes and a 14% improvement in recoveries to 33%.

The basket price, 21% lower quarter on quarter, had a predictable effect on revenues.

Chrome Tailings Retreatment Project (CTRP)



Near-surface projects and exploration

The focus in the quarter under review has been on optimising current operations and projects currently under development.

With respect to Everest North, negotiations are continuing with Aquarius Platinum on alternative proposal however, Sylvania is concurrently doing detailed mine planning for the mining of Everest North. The EIA process at Everest North is well under way and Sylvania is nearly ready to submit its mining authorisation to Aquarius for approval before submitting the application to the DME.

In further refining our focus on our low-risk high margin surface operations, shareholders are referred to the announcement published on Monday 27 October 2008 concerning the disposal of the Harriet's Wish, Aurora and Cracow projects to Great Australian Resources Limited, a company listed on the ASX in which Sylvania has an interest of 16%.

Outlook

Since the end of the quarter the decline in PGM prices has continued unabated with the deepening of the global financial crisis. The recent dramatic weakening of the South African rand against the US dollar however, will partially serve to offset the effect of the decline in the US dollar basket price. Nevertheless, the extreme market volatility is expected to continue.

With our sustained focus on costs however, and our low cost profile, we believe that, in the longer term, we are well positioned to ride out the current uncertainty, and will make use of the opportunities we have to expand our production base, thereby extending the benefits provided by our low cost profile. Shareholders will be kept informed of further imminent developments in this area.

However, we do not foresee the current slump in prices continuing indefinitely. Although global growth has slowed, the massive urbanisation and industrialisation programmes in China will continue, albeit at a slower pace, while emissions legislation will continue to drive PGM loadings in vehicle catalytic converters.

With our new projects coming on stream in 2009, we anticipate that we will be well placed to take advantage of rising prices when the markets turn.



TERRY McCONNACHIE

Managing Director



The technical exploration and mining information contained in this report was compiled by Mr Ed Nealon, a former Sylvania Resources Ltd director. Mr Nealon provides consulting services via his company Athlone International Pty Ltd. 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.

For further information please contact:

In South Africa

Terence McConnachie
MD
Sylvania Resources
Limited
(+27 11) 803 7214

James Duncan
Russell and Associates
(+27 11) 880 3924

In Australia

Richard Rossiter
Chairman
Sylvania Resources
Limited
(+618) 9324 2955

Mike Langoulant
Company Secretary
Sylvania Resources
Limited
(+618) 9481 8711

In United Kingdom

Richard Brown
Ambrian Partners
Limited
(+44) 20 7634 4709

or visit our website at www.sylvaniaresources.com

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")

30 September 2008

CONSOLIDATED STATEMENT OF CASH FLOWS

	Current quarter	Year to date
	\$A'000	(3 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	13,471	13,471
1.2 Payments for		
(a) exploration and evaluation	(7)	(7)
(b) development	(6,118)	(6,118)
(c) production	(2,563)	(2,563)
(d) administration	(1,891)	(1,891)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	810	810
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other	(615)	(615)
Net operating cash flows	3,087	3,087
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets	(18)	(18)
1.9 Proceeds from sale of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets		
1.10 Loans to other entities	(2)	(2)
1.11 Loans repaid by other entities	16	16
1.12 Other (provide details if material)		
Net investing cash flows	(4)	(4)
1.13 Total operating and investing cash flows (carried forward)	3,083	3,083

Consolidated Statement of Cash Flows

	Current quarter	Year to date
	\$A'000	(3 months) \$A'000
Cash flows related to operating activities		
1.13 Total operating and investing cash flows (brought forward)	3,083	3,083
Cash flows related to financing activities		
1.14 Proceeds from issues of shares, options, etc.		
1.15 Proceeds from sale of forfeited shares		
1.16 Proceeds from borrowings		
1.17 Repayment of borrowings	(30)	(30)
1.18 Dividends paid		
1.19 Other – capital raising costs	(45)	(45)
Net financing cash flows	(75)	(75)
Net increase (decrease) in cash held	3,008	3,008
1.20 Cash at beginning of quarter/year to date	43,849	43,849
1.21 Exchange rate adjustments to item 1.20	1,892	1,892
1.22 Cash at end of quarter	48,749	48,749
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		281
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.		

Consolidated Statement of Cash Flows

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	420
4.2 Development	17,278
Total	17,698

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	12,690	6,185
5.2 Deposits at call	36,059	37,664
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	48,749	43,849

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		

Compliance statement

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	180,012,273	180,012,273	N/A	N/A
7.4 Changes during quarter				
(a) Increases through issues	950,000	950,000	\$1.63	Issued pursuant to the Sylvania Share Plan
(b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities (description)	–	–		
7.6 Changes during quarter				
(a) Increases through issues				
(b) Decreases through securities matured, converted				
			Exercise price	Expiry date
7.7 Options (description and conversion factor)	500,000	Nil	\$0.50	30 June 2009
	600,000	Nil	\$0.75	30 June 2010
	400,000	Nil	\$2.89	30 June 2011
	600,000	Nil	\$2.67	30 June 2011
	3,383,000	Nil	\$1.63	30 June 2011
7.8 Issued during quarter	3,383,000	Nil	\$1.63	30 June 2011
7.9 Exercised during quarter				
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.



Chief Financial Officer

Louis Carroll

Date: 25 September 2008

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.