Interim Report

Sylvania Resources Limited

ACN 091 415 968

Interim report
for the half year ended
31 December 2009

Contents

Corporate Information

Directors	T M McConnachie R D Rossiter L M Carroll A P Ruiters G M Button
Joint Company Secretaries	G M Button and L M Carroll
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Share Registry	Computershare Investor Services Pty Ltd Reserve Bank Building Level 2 45 St George's Terrace Perth, Western Australia 6000 Australia
Auditors	HLB Mann Judd Level 4, 130 Stirling Street Perth, Western Australia 6000 Australia
Solicitors	Clayton Utz QV1, 250 St George's Terrace Perth Western Australia 6000 Australia
ASX Codes	Sylvania Resources Limited is listed on the Australian Securities Exchange (Shares: SLV), and on the Alternative Investment Market of the London Stock Exchange (Shares: SLV)

Directors' Report

Your directors present their report on the consolidated entity (referred to hereafter as the "Group") consisting of Sylvania Resources Limited ("Sylvania" or the "Company") and the entities it controlled at the end of, or during, the half year ended 31 December 2009.

Directors

The names of directors who held office during or since the end of the half-year and until the date of the report are noted below. Directors were in office for the full period unless otherwise stated.

Richard D Rossiter – *Non-Executive Chairman*
Terence M McConnachie – *Managing Director*
Louis M Carroll – *Finance Director*
Alistair P Ruiters – *Non-Executive Director*
Grant M Button – *Executive Director*

Group overview

Sylvania's dump operations ("SDO") made an operating profit of $5.1 million for the six months ended 31 December 2009, however the consolidated loss of the group after income tax and non-controlling interest was $2.4 million (2008: loss of $1.6 million). The loss is largely attributable to foreign exchange loss on the pound weakening against the Australian dollar ($2.7 million), share based payment expenses ($2.8 million), acquisition costs for SA Metals Limited ("SA Metals") and Great Australian Resources Limited ("GAR") ($0.6 million) and the expenses associated with the scheme of arrangement process with Ruukki Group Plc ("Ruukki") which was not completed ($0.8 million). Unless otherwise stated, the financial information contained in this report is presented in Australian dollars.

The SDO turnover was higher than the previous half year ended 31 December 2008; however profits from the operations were lower due to reduced current arisings from Samancor mines resulting in the mining of more oxidised dump material which resulted in recoveries decreasing from 12,236 ounces to 11,408 ounces for the period. Start up costs and training of new personnel to bring Lannex and Mooinooi up to full production capacity resulted in costs increasing from US$330 per ounce in December 2008 to US$540 per ounce at the end of December 2009. Millsell and Steelpoort continue to produce in line with expected forecast which has subsidised costs of the other two plants. Costs are expected to decrease to approximately US$334 per ounce when all the plants are operating at full production.

On 31 July 2009, Sylvania acquired a majority shareholding in both SA Metals and GAR via a scrip takeover bid. Sylvania now holds 100% of the issued shares in both SA Metals and GAR. The Company believes these acquisitions will enable Sylvania to expand into near surface mining operations, whilst still maintaining its highly successful retreatment operations.

During the half-year, funding of £10 million (A$18 million) was raised through an equity placement to a major UK institution, allowing Sylvania to further develop SA Metals' Grass Valley project, fast-track the construction of the Tweefontein dump processing plant, and acquire the portion of the dumps owned by Lonmin at the Mooinooi operation.

Subsequent to the end of the period Sylvania and Jubilee Platinum Plc ("Jubilee") have entered into a Framework Agreement whereby the joint activities of the previously announced strategic alliance have been agreed. This Framework Agreement further enhances the Company's vision of becoming a leading South African mid-tier PGM producer.

Directors' Report (continued)

Group overview (continued)

PGM prices have shown a consistent improvement over the last six months with the platinum price increasing from US$1,204 at the end of June 2009 to US$1,475 at 31 December 2009. This increase has improved Sylvania's dump operation profitability and market forecasts remain positive in relation to PGM prices. Although Sylvania received a higher basket price per ounce, profits were adversely affected by a stronger Rand.

As at 31 December 2009 the Company's cash reserves amounted to $35.8 million.

Health, safety and environment

The SDO have consistently reported excellent results in safety, health and environmental performance and will continue to do so by improving standards, through consistent vigilance and staff training.

Sylvania Dump Operations

An increase in the basket price received, resulted in an increase in net revenue for the period to R77.8 million, an increase of 21% on the half year ended 31 December 2008. The reduction in ounce production for the half-year to 11,408 ounces (2008: 12,236) was due mainly to the change in the feed grade at Steelpoort, occasioned by the reduction in current arisings from Samancor resulting in the mining of the outer walls of the second dump to maintain tonnage. The increase in feed tonnes was mainly attributable to the new production build up at Lannex and the excellent performance of the Millsell plant.

Sylvania Dump Operations (100%): Statistical Information

Unaudited	Unit	6 months to Dec 2008	6 months to June 2009	6 months to Dec 2009	+/- % H2 2009 on H2 2008
Revenue					
Revenue	R'000	64,603	63,326	77,889	21%
Gross Basket Price	US$/oz	755	881	1,273	69%
Net Basket Price	US$/oz	577	665	912	58%
Gross Cash Margin: SDO	%	51%	39%	41%	-20%
Capital Expenditure	R'000	125,656	76,327	59,977	-52%
Ave R/US$ rate	R/US$	8.97	8.97	7.49	-16%
SDO Cash Cost					
Per PGM Feed ton	R/t	260	291	258	-1%
Per PGM Feed ton	US$/t	29	33	34	17%
Per 3E & Au oz	R/oz	2,475	3,325	4,088	65%
Per 3E & Au oz	US$/oz	276	382	546	98%

Directors' Report (continued)

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

Unaudited	Unit	6 months to Dec 2008	6 months to June 2009	6 months to Dec 2009	+/- % H2 2009 on H2 2008
Production					
Plant Feed	t	276,925	273,889	417,201	51%
Feed Head Grade	g/t	2.74	2.55	2.55	-7%
PGM Plant Feed Tons	t	116,336	107,635	180,587	55%
PGM Plant Grade	g/t	5.76	5.60	5.01	-13%
PGM Plant Recovery	%	56.8	50.5	39.1	-31%
Total 3E and Au	Oz	12,236	9,870	11,408	-7%

Plant operations and development

Millsell
The Millsell operation achieved record production during the six months ended 31 December 2009, producing 4,898 PGM ounces for the period. Monthly production records were achieved in both September and November 2009. This improved ounce production is due mainly to improved feed input from the rich inner core of the tailings dam being mined which has resulted in an increased head grade of 2.31g/t. Recovered ounces increased from 4,077 ounces to 4,898 ounces.

Costs at Millsell were reduced from US$388 per ounce in the six months ended 30 June 2009 to US$305 per ounce in the six months ended 31 December 2009.

Steelpoort
The Steelpoort operation produced 4,584 PGM ounces for the six months ended 31 December 2009 from an average head grade of 3.45g/t. Recoveries of 48.9% were achieved, with operating costs at US$408 per ounce. The higher operating costs were as a result of additional maintenance expenditure. Due to the fine nature of the Steelpoort dump, costs are higher than at Millsell.

A new column cell was commissioned in September 2009 which will result in increased recoveries and concentrate grade in the future. The new column cell will also help to reduce the chrome content in the final concentrate thus reducing smelter penalties. Total capital expenditure for this experimental cell amounted to $102,695.

Lannex
The Lannex operation produced 1,723 PGM ounces from an average head grade of 2.12g/t, for the six months ended 31 December 2009. Operating costs remain high at US$621 per ounce due to the plant operating at well below design capacity because of the limitations on the temporary tailings disposal dam.

Government environmental approvals are still outstanding from the Department of Minerals and Resources ("DMR") for the construction of the new tailings dam which will enable the ramp up to plant design capacity of 70,000 tonnes per month as compared to the restricted current 25,000 tonnes feed per month. It is expected that this new tailings dam approval will be received within the

Directors' Report (continued)

Plant operations and development (continued)

next two months. Construction of the new dam will take about four to six months resulting in reduced ounce production for at least the next six months.

Improved plant uptime, float recoveries and consistent concentrate grades are expected during the second half of the financial year.

Mooinooi
The construction of the Mooinooi plant was completed during the current reporting period and the first slurry was processed through the plant on 11 November 2009. A total of 203 PGM ounces were produced from a head grade of 1.17g/t. Plant operating costs of US$1,805 per ounce are much higher than planned due to this plant still being in start up mode. As the ounces improve in line with the forecasts, the costs will reduce to the planned US$625 per ounce.

The new extra run of mine ("ROM") section is still under construction and completion thereof will allow for an increased life of this plant and a greater percentage of un-oxidised feed, resulting in improved recoveries and grade.

Doornbosch
A total capital outlay of R81.1 million has been incurred for the construction of the Doornbosch plant thus far. This plant has been designed and is being constructed to process only current arisings.

Commissioning was scheduled to commence in May 2010, however due to high seasonal rainfall construction has been delayed and commissioning is now scheduled for June 2010.

Tweefontein
The new equity funding raised by the company in December 2009 will be partly applied to fast track the Tweefontein plant. Detailed studies are underway and an announcement detailing when plant construction is due to commence will be made shortly.

Chrome Tailings Retreatment Project (CTRP)

The Chrome Tailings Retreatment Project (CTRP) – 25% owned by Sylvania South Africa (Pty) Limited, a wholly owned subsidiary of the Company produced 957 PGM attributable ounces at a cost of US$395 per ounce from 35,513 plant feed tonnes.

Platreef operations

The platreef projects comprise the Hacra project, Aurora project and the Grass Valley project, which were recently acquired through the GAR and SA Metals acquisitions.

Hacra Project
The Hacra project comprises three farms on the Northern Limb of the Bushveld Igneous Complex, namely, Harriet's Wish 393LR, Aurora 391LR and Cracouw 397LR. Five holes (868 metres) were drilled in the period ending 31 December 2009, and the assays for the 416 samples were submitted to SGS South Africa (Pty) Ltd, an accredited SANAS ISO17025 laboratory. A geological model utilising the new and existing data will be constructed and an updated report on the project is due for completion by June 2010. A total of R1.36 million was spent on this exploration programme.

Directors' Report (continued)

Platreef operations (continued)

Consent in terms of Section 11 of the Mineral and Petroleum Resources Development Act ("MPRDA") to transfer the Prospecting Rights to Hacra has been applied for but to date this approval is still outstanding.

Aurora Project

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

Re-logging of selected boreholes on sections through the so-called "target" areas designated by SA Metals drilling programme, has been completed during the period ended 31 December 2009. A geological model and resource estimation is to be reported on by July 2010.

A progress report on the Kransplaats/La Pucella/Altona Prospecting Right is due for submission in March 2010 to the DMR.

Grass Valley Project

The Grass Valley project comprises the farm Volspruit 326KR and a portion of Zoetveld 294KR. The acquisition of a 5 tonne bulk sample via large diameter core drilling, involving 42 boreholes and 4200 metres of coring, was largely completed by the end of February 2010 and will be used to upgrade the resource from a historic indicated resource to a measured JORC compliant resource. Assays being undertaken on the drill core are being conducted at ALS Chemex laboritories, an accredited SANAS ISO17025 laboratory, and are anticipated to be completed at the end of March 2010. Delivery of the bulk sample is planned for early April 2010. The bulk sample will be analysed for grade, metallurgical extraction (floatation) and the recovered concentrate will then 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 definitive feasibility study.

A progress report on the Grass Valley Prospecting Right is due for submission in March 2010 to the DMR.

Corporate structure, empowerment and management

Termination of the Ruukki/Sylvania merger

On 30 June 2009, Sylvania and Ruukki announced that they had entered into a merger implementation agreement in accordance with which Ruukki would acquire, subject to certain conditions, all the issued share capital of Sylvania under an Australian law governed scheme of arrangement between Sylvania and its shareholders ("Scheme").

Due to difficulties experienced with implementing the aforementioned merger, the Merger Implementation Agreement was terminated by mutual agreement and the Scheme did not proceed. Each of the parties bore their own costs associated with the Scheme. The total cost to Sylvania for the six months ended 31 December 2009 amounted to $0.8 million.

Directors' Report (continued)

Corporate structure, empowerment and management (continued)

Acquisition of SA Metals Limited and Great Australian Resources
Sylvania announced on 11 May 2009 its intention to make off-market takeover offers for all the ordinary shares in both SA Metals and GAR Limited.

SA Metals Limited
On 10 July 2009, Sylvania submitted a bidder's statement to all SA Metals shareholders detailing the terms of the offer. The all scrip offer was based on 1 Sylvania share for every 10 SA Metals shares held and closed on 11 August 2009.

On 6 August 2009, Sylvania had acquired over 90% of the issued shares in SA Metals enabling them to proceed with a compulsory acquisition of the remaining shares in accordance with Chapter 6A of the Corporations Act.

On 24 September 2009, the compulsory acquisition had been completed and Sylvania announced that it now holds 100% of the share capital in SA Metals.

Great Australian Resources Limited
The all scrip offer of 1 Sylvania share for every 12 GAR shares held was distributed to all GAR shareholders in a bidder's statement on 10 July 2009.

As at the close of the offer on 11 August 2009, Sylvania held 89.86% of the issued shares in GAR, and was advised by its share registry that a number of late acceptances had been received after the close of the offer. On 14 August 2009 an application was lodged with the Federal Court of Australia for an order pursuant to the Corporations Act that Sylvania may compulsorily acquire the remaining shares of GAR. The application was successful and on 16 October 2009 Sylvania announced that it now holds 100% of the issued share capital in GAR.

Jubilee/Sylvania Alliance
On 2 November 2009, a joint announcement was made by Sylvania and Jubilee that they intend to enter into strategic alliance "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 utilising the Jubilee technology. 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.

On 4 February 2010, Jubilee and Sylvania announced that they had entered into a Framework Agreement whereby both parties have agreed to incorporate a company to undertake the smelting and refining activities using the ConRoast technology. Sylvania will hold a 30% interest in this company. A second company will be incorporated to undertake the processing of future platinum tailings opportunities. Sylvania will hold a 50% interest in this second company.

Directors' Report (continued)

Corporate structure, empowerment and management (continued)

Black Economic Empowerment update

Negotiations with new BEE partners to replace Ehlobo are on-going and are expected to be finalised during the quarter to 31 March 2010.

Vygenhooek 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 Mpumulanga, has been set for July 2010.

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 official submissions will only resume once the outcome of the arbitration has been determined.

Mooinooi Dumps

On 1 December 2009, Sylvania entered into an agreement with Western Platinum Limited ("Lonmin") to acquire the rights to exploit the PGE tailings in the Mooinooi tailings dumps and the current arisings derived from the Samancor chrome mining activities in the MG1 seam under Lonmin's land. Samancor and Lonmin have a long standing commercial agreement whereby Samancor obtained the right to mine for chrome on the property owned by Lonmin, and in the process the Platinum Group Metals ("PGM's") reported to the Mooinooi tailings dumps.

Sylvania purchased these rights for R45 million (approximately A$6.6 million), of which the full purchase price was settled on 29 January 2010. In terms of the agreement, Lonmin has a first right of refusal to match the terms of any bona fide agreement entered into by Sylvania with a third party in respect of the PGM concentrate produced from these tailings operations.

Equity placement

An equity placement of 25 million shares representing 10.65% of the Company's enlarged issued share capital was successfully completed on 17 December 2009. The shares were issued at 40p/share (0.72c/share) providing Sylvania with £10million (A$18 million) in capital funding. The full placement was taken up by M&G Recovery Fund.

The capital raised by this equity placement will be used to fund the following:

- 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.

Rounding of Amounts

The company has applied the relief available to it in ASIC Class Order 98/100, and accordingly certain amounts in Note 2: Segment information and the directors' report have been rounded off to the nearest $1,000, unless otherwise indicated.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 11 and forms part of the directors' report for the half year ended 31 December 2009.

This report is signed in accordance with a resolution of directors made pursuant to Section 306(3) of the Corporations Act 2001.

T M McConnachie
Managing Director

Johannesburg
16 March 2010

Auditor's Independence Declaration

As lead auditor for the review of the financial report of Sylvania Resources Limited for the half-year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

b) any applicable code of professional conduct in relation to the review.

This declaration is in respect of Sylvania Resources Limited and the entities it controlled during the period.

Perth, Western Australia
16 March 2010

M R W OHM
Partner, HLB Mann Judd

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Condensed Income Statement
for the half year ended 31 December 2009

		Consolidated	
	Note	**31 December 2009 $**	**31 December 2008 $**
Revenue from operations		**11,758,923**	10,131,197
Raw materials and consumables used		**(7,109,836)**	(5,924,382)
Share of net profits of jointly controlled entity accounted for using the equity method		**525,699**	6,267
Profit from operations		**5,174,786**	4,213,082
Foreign exchange (loss) / gain		**(2,673,562)**	406,347
Impairment on available-for-sale financial assets		**-**	(1,710,898)
Transfer of gains on investment from equity upon acquisition of subsidiary		**5,420,747**	-
Gain on revaluation of financial assets at fair value through profit and loss		**110,000**	-
Share based payment expense		**(2,828,224)**	(1,222,536)
Other income		**24,080**	144,746
Other expenses		**(6,030,460)**	(3,609,256)
Finance income		**323,848**	1,698,645
Loss before income tax	3	**(478,785)**	(79,870)
Income tax expense		**(1,428,351)**	(873,914)
Loss for the period		**(1,907,136)**	(953,784)
Non-controlling interests		**(493,451)**	(625,036)
Net loss for the period attributable to owners of the parent		**(2,400,587)**	(1,578,820)
		Cents	Cents
Basic loss per share (cents per share)		**(1.15)**	(0.88)
Diluted loss per share (cents per share)		**(1.15)**	(0.88)

The above condensed income statement should be read in conjunction with the accompanying notes.

Condensed Statement of Comprehensive Income
for the half year ended 31 December 2009

	Consolidated	
	31 December 2009 $	**31 December 2008 $**
Loss for the period attributable to owners of the parent	**(2,400,587)**	(1,578,820)
Net change in equity reserves	**(5,684,741)**	-
Exchange differences on translation of foreign operations	**(3,560,759)**	13,196,457
Income tax relating to components of other comprehensive income	**1,046,380**	(3,958,937)
Other comprehensive (loss) / income for the period, net of tax	**(8,199,120)**	9,237,520
Attributable to non-controlling interest	**400,381**	625,036
Total comprehensive (loss) / income for the period net of tax attributable to owners	**(7,798,739)**	9,862,556
Total comprehensive (loss) / income for the period	**(10,199,326)**	**8,283,736**

The above condensed statement of comprehensive income should be read in conjunction with the accompanying notes.

Condensed Statement of Financial Position
as at 31 December 2009

	Note	31 December 2009 $	30 June 2009 $
ASSETS			
Current Assets			
Cash and cash equivalents		**35,883,722**	32,214,884
Trade and other receivables		**10,885,192**	7,871,069
Inventories		**400,791**	441,512
Current tax asset		**1,224,118**	2,203,701
		48,393,823	42,731,166
Non-Current Assets			
Available-for-sale financial assets		**229,397**	8,080,416
Financial assets at fair value through profit and loss		**210,000**	-
Investments accounted for using the equity method		**4,275,053**	3,967,132
Deferred exploration expenditure	4	**68,030,260**	1,826,958
Property, plant and equipment		**77,357,581**	65,264,576
		150,102,291	79,139,082
Total Assets		**198,496,114**	121,870,248
LIABILITIES			
Current Liabilities			
Trade and other payables		**12,250,143**	7,263,337
Borrowings		**123,807**	149,649
Current tax liability		**11,579**	12,114
		12,385,529	7,425,100
Non-Current Liabilities			
Borrowings		**575,943**	234,570
Provisions		**886,925**	912,644
Deferred tax liability		**22,074,682**	7,376,401
		23,537,550	8,523,615
Total Liabilities		**35,923,079**	15,948,715
Net Assets		**162,573,035**	105,921,533
Equity			
Issued capital	5	**181,365,769**	117,945,504
Reserves		**2,788,950**	7,250,196
Accumulated losses		**(22,771,726)**	(20,371,139)
Total equity attributable to owners of Sylvania Resources Limited		**161,382,993**	104,824,561
Non-controlling interest		**1,190,042**	1,096,972
Total Equity		**162,573,035**	105,921,533

The above condensed statement of financial position should be read in conjunction with the accompanying notes.

Condensed Statement of Changes in Equity for the half year ended 31 December 2009

	Consolidated				
	Issued Capital $	Accumulated Losses $	Reserves $	Non-controlling Interests $	**Total Equity** **$**
Balance at 1 July 2008	117,274,097	(16,847,066)	(12,458,835)	1,824,813	89,793,009
Profit / (Loss) for the period	-	(1,578,820)	-	625,036	(953,784)
Currency translation differences	-	-	13,196,457	-	13,196,457
Income tax relating to components of other income	-	-	(3,958,937)	-	(3,958,937)
Total comprehensive income for the period	**-**	**(1,578,820)**	**9,237,520**	**625,036**	**8,283,736**
Capital raising costs	(49,255)	-	-	-	(49,255)
Share based compensation reserve	-	-	1,222,536	-	1,222,536
Balance at 31 December 2008	**117,224,842**	**(18,425,886)**	**1,998,779**	**2,449,849**	**99,250,026**
Balance at 1 July 2009	**117,945,504**	**(20,371,139)**	**7,250,196**	**1,096,972**	**105,921,533**
Loss for the period	-	(2,400,587)	-	493,451	(1,907,136)
Net gains revaluation reserve	-	-	(5,684,741)	-	(5,684,741)
Currency translation differences	-	-	(3,004,674)	(556,085)	(3,560,759)
Income tax relating to components of other income	-	-	890,676	155,704	1,046,380
Total comprehensive income for the period	**-**	**(2,400,587)**	**(7,798,739)**	**93,070**	**(10,106,256)**
Shares issued	64,175,104	-	-	-	64,175,104
Employee share plan loan repaid – proceeds	187,500	-	-	-	187,500
Capital raising costs	(942,339)	-	-	-	(942,339)
Share based compensation reserve	-	-	3,337,493	-	3,337,493
Balance at 31 December 2009	**181,365,769**	**(22,771,726)**	**2,788,950**	**1,190,042**	**162,573,035**

The above condensed statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed Statement of Cash Flows
for the half year ended 31 December 2009

		Consolidated	
	Note	31 December 2009 $	31 December 2008 $
Cash flows from operating activities			
Receipts from customers		**9,280,811**	17,817,022
Joint venture partnership distribution received		**-**	1,002,499
Payments to suppliers and employees		**(7,482,126)**	(8,335,308)
Interest received		**417,657**	1,679,935
Net cash inflow from operating activities		**2,216,342**	12,164,148
Cash flows from investing activities			
Cash received through business combination	6	**3,028,619**	-
Payments for plant and equipment		**(16,000,250)**	(20,887,828)
Proceeds from sale of property, plant and equipment		**37,656**	-
Payments for exploration and evaluation		**(14,136)**	(48,799)
Payments for available-for-sale financial assets		**(1,800)**	-
Payments of loans to other parties		**-**	(3,287)
Repayment of loans by other parties		**(42,292)**	(391,677)
Net cash outflow from investing activities		**(12,992,203)**	(21,331,591)
Cash flows from financing activities			
Proceeds from the issue of shares		**18,604,500**	-
Payments for capital raising costs		**(964,289)**	(44,752)
Net cash inflow / (outflow) from financing activities		**17,640,211**	(44,752)
Net increase / (decrease) in cash held		**6,864,350**	(9,212,195)
Cash at the beginning of reporting period		**32,214,884**	43,623,564
Effect of foreign exchange on cash		**(3,195,512)**	6,218,635
Cash at the end of the reporting period		**35,883,722**	40,630,004

The above condensed statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements
for the half year ended 31 December 2009

Note 1: Statement of Significant Accounting Policies

Statement of compliance

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134: Interim Financial Reporting, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2009 and any public announcements made by Sylvania Resources Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below.

Basis of preparation

The half-year report has been prepared on a historical cost basis, except for certain financial assets which are measured at fair value. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the half-year report, the half-year has been treated as a discrete reporting period.

Significant accounting judgements and key estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Except as described below, in preparing this interim report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2009.

Notes to the Financial Statements for the half year ended 31 December 2009

Note 1: Statement of Significant Accounting Policies (Continued)

In the half-year ended 31 December 2009, management reassessed its estimates in respect of:

Carrying value of exploration expenditure:

As a result of the acquisitions of SA Metals Limited and Great Australian Resources Limited during the period, a total of $66,229,794 of exploration expenditure was acquired. The Directors have considered the appropriateness of carrying this expenditure forward and the existence of any individual impairment at 31 December 2009 and are of the view that no impairment should be booked as at or since reporting date. This view is based upon consideration of a range of factors including the signing of a strategic alliance with Jubilee Platinum Plc, increasing PGM prices, internal modelling and the direct nexus between both acquisitions and the future cashflows expected to be derived from the Jubilee joint venture.

In relation to the Group's remaining capitalised exploration expenditure (other than that described above), the Directors have determined that no expenditure needs be written off.

Valuation of development costs, and property plant and equipment:

The recoverability of the carrying amount of development costs, and property plant and equipment, has been reviewed by the directors. In conducting the review, the recoverable amount has been assessed by reference to the higher of 'fair value less costs to sell' and 'value in use'. In determining value in use, the present value of future cash flows is based upon:

- estimates of mineral resources for which there is a high degree of confidence of economic treatment;
- estimated production costs and sale of output levels;
- estimated future platinum group metals basket prices;
- future costs of production;
- future capital expenditure requirements; and
- future foreign currency fluctuations.

Variations to the expected future cash flows, and the timing thereof, could result in significant changes to the impairment test results, which in turn could impact future financial results.

Treatment of non-controlling interest shareholder entitlement

In the 30 June 2009 annual report, it was noted that under the terms of two shareholder agreements signed 10 January 2007, Ehlobo Metals (Pty) Limited ('Ehlobo') acquired a 26% interest in both Sylvania Metals (Pty) Limited ('Sylvania Metals') and Sylvania Minerals (Pty) Limited ('Sylvania Minerals'). Under the terms of these agreements, Ehlobo committed to contribute $8.5 million (ZAR64 million) towards the initial capital requirements of Sylvania Metals and Sylvania Minerals. As at the date of this report, the required contribution by Ehlobo has not been received. Sylvania has the right under the original agreements at its sole discretion to terminate the agreement with Ehlobo should it not fulfil its capital commitment and to put in place a new BEE partner(s).

Notes to the Financial Statements
for the half year ended 31 December 2009

Note 1: Statement of Significant Accounting Policies (Continued)

As at the date of this report, Sylvania has executed sale of shares agreements between Sylvania Resources Limited and the non-controlling interests. Under these agreements, R21.2 million will be paid to the existing BEE shareholder (Ehlobo) by way of Sylvania shares in return for the cancellation of the existing shareholder agreements. The sale agreements are subject to the conclusion of a new agreement with an IDC financed BEE structure comprising of a Sylvania Black Workers Trust, two new BEE partners, who have already been identified and agreed upon, and the IDC as a minority partner and furthermore that the new BEE partner makes the required capital contribution from the IDC funding. The directors anticipate that these conditions precedent will be met in the near future.

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2009, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2009.

During the current period, certain accounting policies have changed as a result of new or revised accounting standards which became operative for the annual reporting period commencing on 1 July 2009.

The affected policies and standards are:

- Principles of consolidation – revised AASB 127 *Consolidated and Separate Financial Statements* and changes made by AASB 2008-7 *Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Business combinations – revised AASB 3 *Business Combinations*
- Segment reporting – new AASB 8 *Operating Segments*

Principles of Consolidation

AASB 127 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. This is different to the Group's previous accounting policy where transactions with minority interests were treated as transactions with parties external to the group.

The standard also specifies the accounting when control is lost. Any remaining interest in the entity must be remeasured to fair value and a gain or loss is recognised in profit or loss. This is consistent with the entity's previous accounting policy if significant influence is not retained.

The Group will in future allocate losses to the non-controlling interest in its subsidiaries even if the accumulated losses should exceed the non-controlling interest in the subsidiary's equity. Under the previous policy, excess losses were allocated to the parent entity.

Lastly, dividends received from investments in subsidiaries, jointly controlled entities or associates after 1 July 2009 are recognised as revenue even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a result of the dividend payment. Under the entity's previous policy, these dividends would have been deducted from the cost of the investment.

Notes to the Financial Statements
for the half year ended 31 December 2009

Note 1: Statement of Significant Accounting Policies (Continued)

The changes were implemented prospectively from 1 July 2009. There has been no impact on the current period as none of the non-controlling interests have a deficit balance. There have also been no transactions whereby an interest in an entity is retained after the loss of control of that entity, no transactions with non-controlling interests and no dividends paid out of pre-acquisition profits.

Business Combinations

All payments to purchase a business are now recorded at fair value at the acquisition date, with contingent payments included at their respective fair values. Under the Group's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of the acquisition.

Acquisition-related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

Non-controlling interests in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. This decision is made on an acquisition-by-acquisition basis. Under the previous policy, the non-controlling interest was always recognised at its share of the acquiree's net assets.

If the Group recognises acquired deferred tax assets after the initial recognition accounting there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the Group's net profit after tax.

Segment Reporting

The Group has applied AASB 8 *Operating Segments* from 1 July 2009. AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

Operating segments are now reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker has been identified as the Board of Directors of Sylvania Resources Limited.

Standards and Interpretations issued but not yet effective

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2009. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

Note 2: Segment information

For management purposes the chief operating decision maker, being the Board of Directors of Sylvania Resources Limited, reports its results per project. The Group currently has two operational retreatment processing plants, two retreatment processing plants in their final stages of commissioning, one retreatment processing plant under construction in addition to an open cast mining exploration project in its drilling phase.

The operating results of each project are monitored separately by the Board in order to assist them in making decisions regarding resource allocation as well as enabling them to evaluate performance. Segment performance is evaluated on PGM ounce production and operating costs.

	Millsell $'000	Steelpoort $'000	Lannex $'000	Mooinooi $'000	Doornbosch $'000	Platreef $'000	Other $'000	Consolidated $'000
31 December 2009								
Segment assets	12,132	12,488	21,423	8,942	4,535	68,120	70,856	198,496
Segment liabilities	5,308	4,342	3,957	1,160	578	7,536	13,042	35,923
Segment revenue	5,528	4,364	1,648	219	-	5,421	983	18,163
Segment result	3,352	1,730	380	(250)	(4)	(1,285)	-	3,923
Unallocated expenses							(6,324)	(6,324)
Results from operating activities								(2,401)
Included within segment result:								
Depreciation	478	508	23	16	4	15	139	1,183
Direct operating costs	1,697	2,127	1,245	403	-	-	-	5,472
Transfer of gain on investment from equity upon acquisition of subsidiary	-	-	-	-	-	-	5,421	5,421
Interest revenue	-	-	-	-	-	-	324	324
Income tax expense	-	-	-	-	-	-	1,428	1,428

Notes to the Financial Statements
for the half year ended 31 December 2009

Note 2: Segment information (continued)

	Millsell $'000	Steelpoort $'000	Lannex $'000	Mooinooi $'000	Doornbosch $'000	Other $'000	Consolidated $'000
30 June 2009							
Segment assets	12,440	9,806	25,586	14,060	6,517	53,461	121,870
Segment liabilities	3,635	5,369	3,387	1,614	814	1,130	15,949
31 December 2008							
Segment revenue	3,455	6,113	-	-	-	563	10,131
Segment result	1,104	3,668	(105)	(83)	-	(370)	4,214
Unallocated revenue						1,699	1,699
Unallocated expenses						(7,491)	(7,491)
Results from operating activities							(1,578)
Included within segment result:							
Depreciation	397	391	1	-	-	64	853
Direct operating costs	1,951	2,053	105	83	-	-	4,192
Interest revenue	-	-	-	-	-	1,699	1,699
Income tax expense	-	-	-	-	-	874	874

Notes to the Financial Statements for the half year ended 31 December 2009

Note 3: Profit / (Loss) before income tax

	Consolidated	
	Half year ended 31 December 2009 $	Half year ended 31 December 2008 $
The following revenue and expense items are relevant in explaining the financial performance for the half – year		
Transfer of gain on investment from equity upon acquisition of subsidiary	**5,420,757**	-
Interest Received	**323,848**	1,698,645
Consulting fees	**(936,508)**	(898,713)
Legal fees	**(442,295)**	(140,849)
Corporate transactions and acquisitions	**(1,351,519)**	-
Share based payment expense	**(2,828,224)**	(1,257,594)
International travel	**(282,332)**	(194,861)

Note 4: Deferred exploration and evaluation expenditure

	Consolidated	
	Half year ended 31 December 2009 $	Year ended 30 June 2009 $
Costs carried forward in respect of areas of interest in the following phase:		
Exploration and evaluation phase – at cost		
Balance at the beginning of period	**1,826,958**	1,728,310
Disposal of tenements	**-**	(303,474)
Foreign currency movements	**(80,787)**	284,408
Acquired through business combination (note 6)	**66,133,995**	-
Expenditure incurred	**150,094**	117,714
Total deferred exploration and evaluation expenditure	**68,030,260**	1,826,958

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent upon the successful development and commercial exploitation or sale of the respective areas.

Notes to the Financial Statements
for the half year ended 31 December 2009

Note 5: Issued capital

	Consolidated	
	Half year ended 31 December 2009	Year ended 30 June 2009
	$	$
Ordinary shares issued and fully paid	**181,365,769**	117,945,504
	Number	$
Movements in ordinary shares on issue		
At 1 July 2009	182,162,273	117,945,504
Reclassification from employee share scheme	375,000	187,500
Transfer from share based payment reserve	-	68,633
Issue through business combination	35,541,981	45,939,471
Issue through placement	25,000,000	18,167,000
Less: Costs of share issue	-	(942,339)
At 31 December 2009	243,079,254	181,365,769

Note 6: Acquisition of subsidiaries

On 31 July 2009, Sylvania Resources Limited (“Sylvania”), the parent entity, acquired a controlling interest in Great Australian Resources Limited (“GAR”) and SA Metals Limited (“SAM”), both exploration entities. The acquisition of the remaining non-controlling interest was completed by 24 September 2009 for SAM and 16 October 2009 for GAR. There was no material interest of the non-controlling interest in the results of GAR and SAM during this intervening period. The acquisition of GAR was satisfied by the issue of one Sylvania share for every 12 GAR shares held. The acquisition of SAM was satisfied by the issue of one Sylvania share for every 10 SAM shares held. The issue price of the shares was based on the market price of the shares at the date of purchase.

The acquisition resulted in the issue of 35,541,981 Sylvania shares at a fair value of $45,939,471.

Notes to the Financial Statements for the half year ended 31 December 2009

Note 6: Acquisition of subsidiaries (continued)

The net assets acquired in the business combination at the date of acquisition are as follows:

Great Australian Resources Limited

	Carrying amount before business combination $	Fair value adjustments $	Fair value $
Net assets acquired:			
Cash and cash equivalents	1,329,933	-	1,329,933
Trade and other receivables	135,191	-	135,191
Financial assets at fair value through profit and loss	170,000	-	170,000
Inventories	-	-	-
Property, plant and equipment	86,734	-	86,734
Deferred exploration and evaluation expenditure	-	13,637,146	13,637,146
Trade and other payables	(91,056)	-	(91,056)
Deferred tax liability	-	(1,686,268)	(1,686,268)
	1,630,802	11,950,878	13,581,680
Total consideration			13,581,680

	$
The cash outflow on acquisition is as follows:	
Net cash acquired with subsidiary	1,329,933
Cash paid	-
Net cash outflow	1,329,933

SA Metals Limited

	Carrying amount before business combination $	Fair value adjustments $	Fair value $
Net assets acquired:			
Cash and cash equivalents	1,698,686	-	1,698,686
Trade and other receivables	102,508	-	102,508
Inventories	-	-	-
Property, plant and equipment	3,600	-	3,600
Deferred exploration and evaluation expenditure	5,378,953	47,117,896	52,496,849
Trade and other payables	(134,346)	-	(134,346)
Deferred tax liability	-	(13,901,245)	(13,901,245)
	7,049,401	33,216,651	40,266,052
Total consideration			40,266,052

Notes to the Financial Statements
for the half year ended 31 December 2009

Note 6: Acquisition of subsidiaries (continued)

The cash outflow on acquisition is as follows:

Net cash acquired with subsidiary	1,698,686
Cash paid	-
Net cash outflow	1,698,686

Acquisition related costs for the six months ended 31 December 2009 of $579,180 are included in other expenses in the income statement.

If the combination had taken place at the beginning of the year, there would be no material change to the group profit or revenue.

Note 7: Options

Movements in options over ordinary shares on issue	Number of options
At 1 July 2009	13,233,000
Issue of 457,435 options exercisable at $1.40 on or before 30 June 2010	457,435
Issue of 359,909 options exercisable at $1.40 on or before 30 June 2010	359,909
At 31 December 2009	14,050,344

Note 8: Contingent liabilities

There has been no change in contingent liabilities since the last annual reporting date.

Note 9: Subsequent Events

SA Metals Royalty Agreement

On 6 January 2010, Sylvania negotiated and concluded an agreement with Minex (Proprietary) Limited (“Minex”) for the cancellation of a claim against SA Metals for future royalties of 3% on the sales of minerals extracted from certain defined properties where SA Metals holds the Mineral Rights. Sylvania will pay R5 million and issue 3 million Sylvania shares to Minex in return for the termination of the Royalty Agreement, which represents a substantial discount to the value of the original claim.

The agreement between Sylvania and Minex is subject to Sylvania conducting metallurgical test work on the properties to its reasonable satisfaction, by 30 June 2010. The large core drilling programme was completed on the Northern ore body of the Volspruit farm during early March 2010 and the bulk samples have been sent for grade analysis and metallurgical extraction. The recovered concentrate will be smelted by Jubilee using the ConRoast technology to assess the quantity of metal alloy that can be recovered. An independent company will be appointed to verify the drilling and sampling programme as well as the mineral resource calculations.

Notes to the Financial Statements
for the half year ended 31 December 2009

Note 9: Subsequent Events (continued)

Jubilee/Sylvania Framework Agreement

On 4 February 2010, Jubilee and Sylvania announced that they had entered into a Framework Agreement whereby both parties have agreed to incorporate a company to undertake the smelting and refining activities using the ConRoast technology. Sylvania will hold a 30% interest in this company. A second company will be incorporated to undertake the processing of future platinum tailings opportunities. Sylvania will hold a 50% interest in this second company.

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 12 to 27 are in accordance with the *Corporations Act 2001*, including:

- (i) Complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
- (ii) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half year then ended.

(b) 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 directors.

T M McConnachie
Managing Director

Johannesburg
16 March 2010

HLB Mann Judd

Accountants | Business and Financial Advisers

<u>INDEPENDENT AUDITOR'S REVIEW REPORT</u>

To the members of

SYLVANIA RESOURCES LIMITED

Report on the Interim Financial Report

We have reviewed the accompanying interim financial report, which comprises the condensed statement of financial position as at 31 December 2009, the condensed income statement, condensed statement of comprehensive income, condensed statement of changes in equity, condensed statement of cash flows and notes to the financial statements for the half-year ended on that date, and the directors' declaration, of Sylvania Resources Limited and the entities it controlled during the half-year ended 31 December 2009 ("consolidated entity").

Directors' Responsibility for the Interim Financial Report

The directors of the company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the interim 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 interim 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 consolidated entity's financial position as at 31 December 2009 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 Sylvania Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim 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*.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Sylvania Resources 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 2009 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*.

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

Perth, Western Australia
16 March 2010

M R W OHM
Partner