A.C.N 091 415 968

QUARTERLY REPORT 31 DECEMBER 2007

SYLVANIA RESOURCES LIMITED
(“Sylvania” or the “Company”) (ASX/AIM :SLV)

HIGHLIGHTS

- **Millsell and Steelpoort plants successfully commissioned and profitable within one month of start up.**
- **74% increase in total PGM production to 3,567 ounces.**
- **Half year profit of R19.9 million.**
- **Millsell, Steelpoort ramp-ups continue apace**
  - **46% increase in combined profit to R15.7 million.**
- **Bead mills ordered – planned 10% to 15% improvement in PGM recoveries.**
- **Investment in Great Australia Resources (“GAU”) finalised.**
- **Post Quarter - Everest North Resource Update to 773,147 ounces.**

Note: The figures quoted below include 100% of the Company’s interest in Sylvania Metals (Pty) Ltd. This will be reduced to 74% once the transfer of shares to our BEE partners occurs.

Sylvania Presentation Update: The latest presentation regarding the current and future operations of the Company will be available to be viewed and download on the Company's website, at www.sylvaniaresources.com shortly

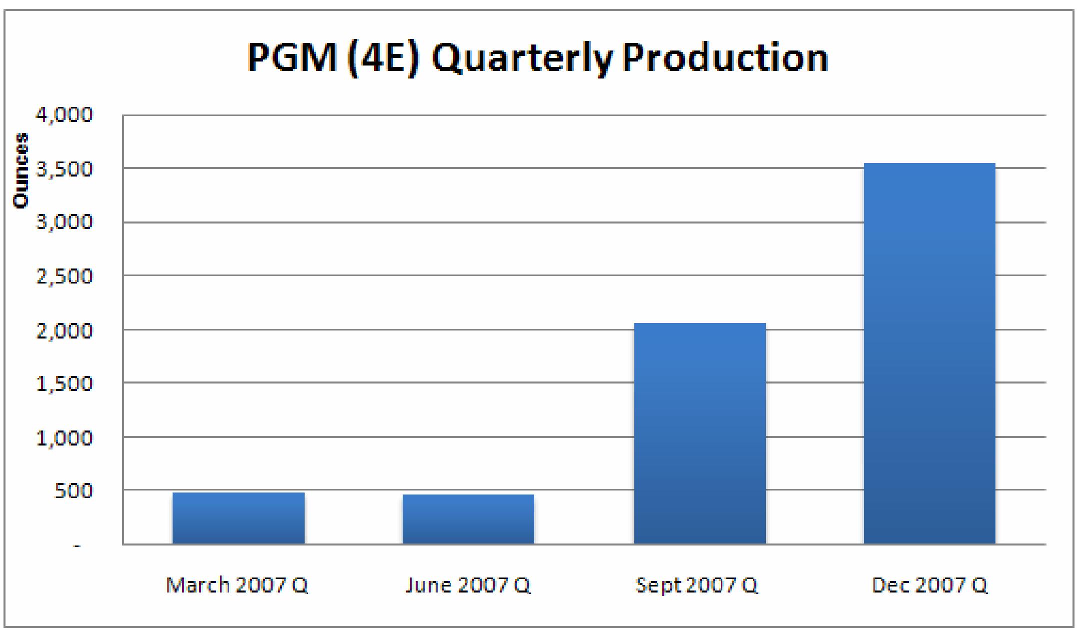
OVERVIEW

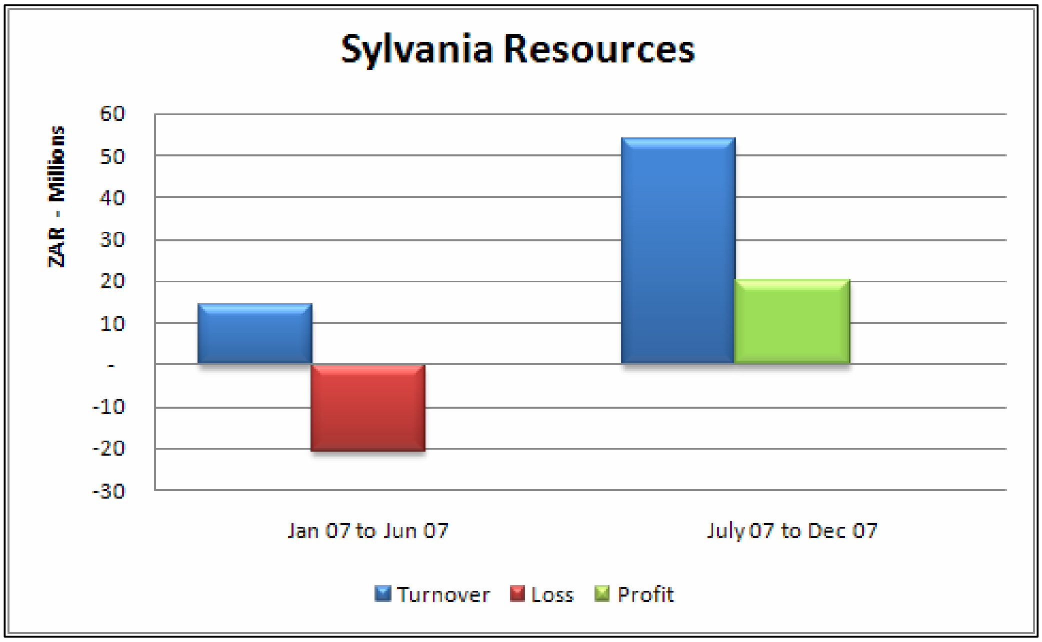
Total production of 4E PGM ounces on the Sylvania dump re-treatment projects increased by 74% from 2,054 ounces in the quarter to 30 September 2007 to 3,567 ounces in the quarter ended 31 December 2007.

The Chrome Tailings Retreatment Project (CTRP) - 25% attributable to Sylvania South Africa, a wholly owned subsidiary of the Company, – recorded a 5% improvement in PGM production while at the Millsell and Steelpoort plants, production ramp-up continued apace with satisfactory production increases in both PGMs and chrome concentrate.

While combined production from Millsell and Steelpoort was in line with management's internal ramp-up targets, reflecting improving plant performance, production for December had to be adjusted downward when metal accounting errors due to lock-up in the new plant were accounted for.

Turnover for the quarter increased by 90% from the previous quarter to R30.1 million reflecting higher PGM and chrome production. Profit increased by 24%, a lower level, due mainly to a depreciation adjustment at CTRP, the recording of chrome penalties during the quarter and a year-to-date rehabilitation provision.





	Jan to Jun 07	July 07 to Dec 07
Turnover	14,273,440	53,828,291
Profit/(Loss)	-20,599,197	19,882,776

A.C.N 091 415 968

QUARTERLY REPORT 31 DECEMBER 2007

OPERATIONS

	Unit	Previous Quarter Sep 2007	Current Quarter Dec 2007	+-% Quarter on Quarter	YTD 6 Months to Dec 2007
Revenue					
Revenue	**R'000**	21,291	32,538	53%	53,828
4E Nett Price	**$/oz**	1,440	1,544	7%	1,527
Gross Cash Margin	**%**	60%	49%	-19%	53%
Ave R/$ rate	**R/$**	7.12	6.79	-5%	6.96
Site Cash Cost					
Per ROM ton	**R/t**	44	78	-76%	69
	$/t	6	12	-85%	10
Per PGM oz	**R/oz**	2,621	4,361	-66%	3,794
	$/oz	368	642	-75%	545
Tons Processed					
Dump Feed	**t**	89,135	105,459	18%	194,594
Current Arising Feed	**t**	26,972	64,468	139%	91,440
Total	**t**	116,107	169,927	46%	286,035
PGM Production					
Platinum	**Oz**	1,322	2,123	61%	3,445
Palladium	**Oz**	431	893	107%	1,324
Rhodium	**Oz**	291	537	84%	828
Gold	**Oz**	9	14	46%	23

Chrome Tailings Re-Treatment Project (CTRP)

PGM production at CTRP for the quarter increased by 5% to 2 816 ounces, 704 ounces of which are attributable to Sylvania. A 9% decrease in head grade to 4.53g/t, resulting from recovery of material from a lower grade area of the dump, was offset by an increase in total tons processed and an improvement in recoveries from 20% to 28%. Towards the end of the quarter a bead mill was installed ahead of the floating plant, resulting in an improvement in plant performance.

Cash cost increased by 1% to 1,988 per PGM ounce. A saving of approximately R200,000 per month on the chrome penalties was also realised during the past six months.

Millsell

Millsell produced 1,202 PGM ounces and 27,250 tonnes of chrome concentrate during the quarter, the latter remaining above the budgeted steady-state level.

After chrome credits, cash costs for the quarter were US$711 (R4,826) per PGM ounce. These abnormal costs include chrome penalties and metal accounting corrections as well as rehabilitation provisions for the half year. The cash margin, based on the actual 4E nett price of US$1,544 per PGM ounce, was 44%.

Looking ahead to the third quarter, the production ounces forecast is 1,843 an increase of 53% on the second quarter.

Once continuing production improvements are completed in line with management forecasts, cash costs are expected to fall to around R2, 605 per PGM ounce in the second calendar quarter of 2008. Based on the current 4E nett price of US$ 1,544 per ounce, this would lead to a cash margin of approximately 58%.

Steelpoort

Steelpoort produced 1,661 PGM ounces and 12,277 tonnes of chrome concentrate during the quarter.

After chrome credits, cash costs for the quarter were US$593 (R4,024) per PGM ounce. These costs included abnormal chrome penalties and metal accounting corrections as well as rehabilitation provisions for the half-year. The cash margin, based on the actual 4E nett price of $1,544 per PGM ounce, was 58%.

In the third quarter, however it is expected that more than 2,500 PGM ounces and 15,000 tonnes of chrome concentrate will be produced. The cash cost forecast is R2,188 per PGM oz and the cash margin forecast, 72%.

Plants 3 and 4 at Lannex and Elandsdrift

At Lannex, contractors are on site and building of the plant is well under way. Capital expenditure of some R10 million has been spent to date and civils are almost complete. All of the necessary long lead-time equipment has been ordered. It is important to note that this plant will have a capacity of 70,000m/t feed per month. Thus the Lanex plant will be exactly double the size of the Millsell or Steelpoort plants. This fairly late change in capacity will have an effect on the start up date of this plant and it is now not likely that the Lanex plant will be fully operational until the third calendar quarter 2008.

As previously reported, construction of the Elandsdrift plant started but was then put on hold until the Steelpoort and Lannex plant are completed. It is expected that steel construction on the already completed civil's of the Elandsdrift plant will start in the last calendar quarter of 2008.

DE BEERS TAILINGS COURT CASE

DeBeers has recently won a court case with regards to the ownership of tailings dumps in which the effect of the ruling was that the Mineral and Petroleum Resources Development Act (2004) does not apply to tailings dumps. This means that it is not necessary to apply for mining rights to mine tailings dumps and that the dump remains the property of the company which created it.

Sylvania operates as a contractor to Samancor who own the dumps that Sylvania is processing. The ruling further entrenches Sylvania's position with regards to tenure over the Samancor dumps.

BEAD MILLS

Process improvement projects (PIP's) with a projected capital cost of about R 30 million are underway at Millsell and Steelpoort. The main objective of the changes is increased production in terms of total ounces of PGM contained in concentrate.

The addition of bead mills and extra cleaner flotation cells will boost the performance of the PGM recovery plants in terms of both PGM recovery and concentrate grade. Decreased smelting costs and the minimization of chrome penalties will give additional improvements to profitability. The installation of automatic samplers and flow measuring instrumentation will improve process management and metal accounting. Minor additions to plant infrastructure will help maximize plant availability and minimize maintenance downtime.

The installations at Millsell and Steelpoort will be virtually identical. The simple payback time of these PIP's is anticipated to be less than 6 months based on PGM production improvements of 10 to 15 percentage points.

With a budgeted cost of R10 million per plant site, the bead mills are the most expensive component of the PIP's. Justification for their installation comes from a combination of experience at CTRP and Mintek test work on flotation feed samples from Millsell and Steelpoort.

Bead milling utilizes a stirred mass of ceramic beads to achieve fine grinding and liberation of mineral particles. Compared with conventional milling (in a rotating cylindrical mill with a tumbling charge of steel balls), bead milling is more power efficient and avoids contamination with fine metallic particles which adversely affect flotation performance.

It is worth noting that the world's largest PGM producer, has recently completed three major projects involving bead mills and has additional installations at construction and planning stages.

EVEREST NORTH

The drilling program on the farm Vygenhoek 10 JT on the eastern limb of the Bushveld Igneous Complex was completed on 8 September 2007. The existing geological model has been fully updated following the receipt of all outstanding data and the processing of the QAQC data. The modeling has allowed for the estimation of a measured resource on the UG2 Reef which occurs on the Vygenhoek property.

The measured resource on the UG2 Reef as published by the consulting geologists, Rock and Stock Investments, is shown in the Table below.

Area(sq metres)	Channel Width (m)	Specific Gravity (t/m3)	Tons	Grade 4E	Ounces
799,578	1.719	3.700	5,078,684	4.735	773,147

Note: The information in this report that relates to mineral resources is based on work completed in terms of the SAMREC code by Mr JP Hattingh BSc (Hons), Pr. Sci. Nat. Mr Hattingh is a full time employee of Rock and Stock Investments and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a "Competent Person" as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" Mr Hattingh consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

GREAT AUSTRALIAN RESOURCES LIMITED

An announcement on the 5th September 2007 was made by the Company that it was to acquire an interest in Great Australian Resources Limited ("GAU"). The transaction was approved by GAU shareholders on the 30th November 2007 whereby Sylvania acquired 16.57% of GAU for a consideration of AUD $ 3,942,000.

Sylvania Resources remains a focused tailings re-treatment company. However Sylvania is also aligning itself with companies who have potential hard rock near surface platinum resource. By acquiring the interest in GAU, Sylvania has begun an alliance with a company with hard rock resources. GAU's main platinum project the Mooiplats project occurs in the Phosiri dome area. To date 11 boreholes with 24 deflections has indicated a potential, at between 100-700m below surface, of 74.2 million tons of Merensky Reef at a grade of 4.2g/t (4E).

FUTURE OUTLOOK

Our view is that the market outlook for our basket of PGM products and chrome concentrate remains robust. This, together with our strengthening production profile and growth prospects in respect of both surface and near-surface resources, augurs well for us. We continue to believe that, with more rigorous regulation of the resources sector – particularly in respect of safety and environmental matters – our relatively low risk profile increases our attractiveness to the resource investor.

TERRY MCCONNACHIE
Chief Executive Officer

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.

Further information please contact:

In South Africa
Terence McConnachie
CEO
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 7776 6417

or visit our website at www.sylvaniaresources.com

Rule 5.3

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	Quarter ended ("current quarter")
091 415 968	31 December 2007

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		910	1,510
1.2	Payments for	(a) exploration and evaluation	(269)	(344)
		(b) development	(2,976)	(5,991)
		(c) production	(2,212)	(3,008)
		(d) administration	(1,641)	(3,116)
1.3	Dividends received			
1.4	Interest and other items of a similar nature received		678	962
1.5	Interest and other costs of finance paid			
1.6	Income taxes paid			
1.7	Other		(96)	(30)
	Net Operating Cash Flows		(5,606)	(10,017)
	Cash flows related to investing activities			
1.8	Payment for purchases of:	(a)prospects	(380)	(380)
		(b)equity investments	(3,942)	(4,716)
		(c) other fixed assets	(62)	(160)
1.9	Proceeds from sale of:	(a)prospects		
		(b)equity investments		
		(c)other fixed assets		
1.10	Loans to other entities		(7)	(20)
1.11	Loans repaid by other entities		22	47
1.12	Other (provide details if material)			
	Net investing cash flows		(4,369)	(5,229)
1.13	Total operating and investing cash flows (carried forward)		(9,975)	(15,246)
1.13	Total operating and investing cash flows (brought forward)		(9,975)	(15,246)

+ See chapter 19 for defined terms.

	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	325	863
1.17	Repayment of borrowings	(9)	(18)
1.18	Dividends paid		
1.19	Other – capital raising costs	-	(225)
	Net financing cash flows	316	620
	Net increase (decrease) in cash held	(9,659)	(14,626)
1.20	Cash at beginning of quarter/year to date	49,951	57,879
1.21	Exchange rate adjustments to item 1.20	(654)	(3,615)
1.22	Cash at end of quarter	39,638	39,638

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	342
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	1,809
4.2	Development	9,198
	Total	11,007

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	2,115	3,934
5.2	Deposits at call	37,523	46,017
5.3	Bank overdraft		
5.4	Other (provide details)		
	Total: cash at end of quarter (item 1.22)	39,638	49,951

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	Aurora 379 LR Harriet Wish393LR -Cracouw 392 LR	New order prospect right New order prospect right New order prospect right		100% 50% 50%

+ See chapter 19 for defined terms.

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	176,379,273	176,379,273	N/A	N/A
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	125,000 100,000	125,000 100,000	$0.50 $0.75	$0.50 – exercise of options $0.75 – exercise of options
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)*	500,000 700,000	Nil Nil	*Exercise price* $0.50 $0.75	*Expiry date* 30 June 2009 30 June 2010
7.8	Issued during quarter				
7.9	Exercised during quarter	125,000 100,000	Nil Nil	$0.50 $0.75	
7.10	Expired during quarter				
7.11	Debentures *(totals only)*	-	-		
7.12	Unsecured notes *(totals only)*	-	-		

Compliance statement

+ See chapter 19 for defined terms.

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: 31 January 2008

Print name: Louis Carroll
CFO

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.

== == == == ==