

("Sylvania" or "the Company")  
ASX / AIM (SLV)  
A.C.N. 091 415 968  
Issued shares: 218,079,254

28 October 2009

## Quarterly Report 30 September 2009

### HIGHLIGHTS

- **PGM production increased by 36% from the previous quarter to 5,558 ounces**
- **Net revenue R32.6 million, an increase of 43.9% compared to the previous quarter**
- **Great Australian Resources Limited acquisition completed on 16 October 2009**
- **SA Metals Limited acquisition completed on 24 September 2009**

Commenting on the results, Terry McConnachie, Managing Director of Sylvania said: *"The results this quarter have proved positive for the company. Our plants have continued to operate profitably and our production rate has increased by 36% from the previous quarter, something which we feel is a solid achievement. In terms of developing the company further we have made great strides: the Great Australian and SA Metals acquisitions have both now been completed."*

### OVERVIEW

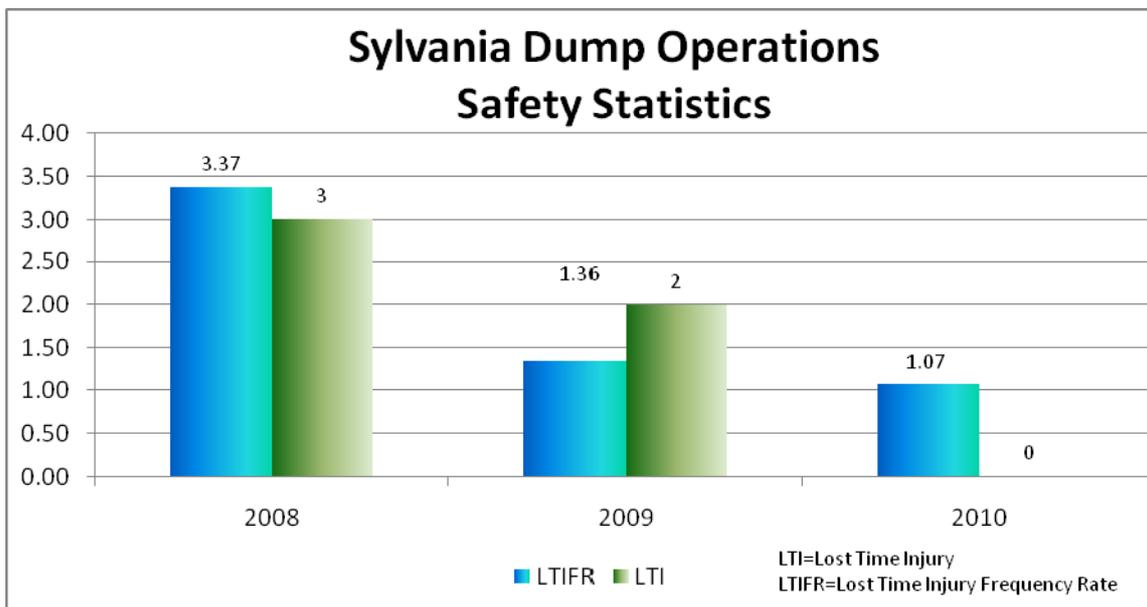
PGM production increased by 36% from the previous quarter to a total of 5,558 ounces (June 2009 Q 4,074oz). This resulted in an increase in net revenue for the quarter to R32.6 million, an increase of 43.9%. The gross cash margin for the Sylvania dump operations increased to 33% which is a quarter on quarter increase of 56%. Cash costs are relatively constant at R4,047/oz. Plant feed increased to 193,671 tons. Whilst feed grade was on average 3.30g/t PGM, plant recovery dropped marginally to 38.9%. This increase of feed tons was mainly attributed to the start up and commissioning of the Lannex plant.

Following the downturn in the world economy, some of the chrome mines which supply current risings and run of mine (ROM) ore to Sylvania's plants have remained closed thereby significantly impacting the nature of our feed material to our plants. Sylvania has sought to mitigate the impact to the company during this period by accelerating the treatment of the dumps and slowing the pace of plant erection. While the ROM projects announced previously have been delayed, Sylvania's market projections lead management to believe that there could be a positive change in the demand for chrome and that these projects could be started in the coming months. The resumption of current risings and ROM ore feed is also expected to have a positive impact on recoveries, which have been affected by the increased proportion of oxidized dump material treated.

* Unaudited - Group	Unit	Previous Quarter June 2009	Current Quarter Sep 2009	% Change
<b>Financials</b>				
Revenue	R'000	22,670	32,615	44%
Ave R/\$ rate	R/\$	8.01	7.49	-6%
<b>Production</b>				
PGM Plant Feed Tons	t	72,676	99,786	37%
3E and Au	Oz	4,074	5,558	36%

## Health safety and environment

During the first quarter the Sylvania Dump Operations had no significant incidents or accidents. There were no Lost Time Injuries. The accident frequency rate shows a pleasing decline and Sylvania is striving to reduce the accident frequency rate to zero. Sylvania remains compliant with Samancor Safety standards and systems.



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

* Unaudited	Unit	Previous Quarter June 2009	Current Quarter Sep 2009	+ - % Quarter on Quarter	YTD 3 Months to Sep 2009
<b>Revenue</b>					
Revenue	R'000	20,457	30,079	47%	30,079
Gross Basket Price	US\$/oz	1,007	1,107	10%	1,107
Net Basket Price	US\$/oz	772	784	2%	784
Gross Cash Margin - SDO	%	21%	33%	57%	33%
Capital Expenditure	R'000	41,048	48,509	18%	48,509
Ave R/US\$ rate	R/US\$	8.01	7.49	-6%	7.49
<b>SDO Cash Cost</b>					
Per PGM Feed ton	R/t	266	251	-6%	251
Per PGM Feed ton	US\$/t	33	34	3%	34
Per 3E & Au oz	R/oz	3,909	4,047	4%	4,047
Per 3E & Au oz	US\$/oz	488	540	11%	540
<b>Production</b>					
Plant Feed	t	149,298	193,671	30%	193,671
Feed Head Grade	g/t	2.31	3.30	43%	3.30
PGM Plant Feed Tons	t	53,706	82,563	54%	82,563
PGM Plant Grade	g/t	5.40	5.02	-7%	5.02
PGM Plant Recovery	%	39.1%	38.9%	-1%	38.9%
Total 3E and Au	Oz	3,652	5,123	40%	5,123



## Millsell

The Millsell operation achieved record production during the quarter, producing 912 PGM ounces in September as well as a record of 2,443 PGM ounces during the quarter as a whole. The increase in ounce production can be attributed mainly to plant availability of over 92% and a head grade increase to 2.12 g/t in the current quarter compared to 1.56 g/t in the previous quarter. The floatation section is now operating at its design capacity which has been helped by the fact that the inner core of the tailings dam is now being mined which contains higher grades and more fine material. Overall costs at Millsell are being contained at below R2,500 per ounce despite upward pressure on materials and spares.

## Steelpoort

The Steelpoort flotation plant produced 2,267 PGM ounces during the quarter at an average cost of R2,868 per ounce. Recoveries are down by 10% from last quarter as the oxidized dump from the old opencast section of Steelpoort is now being re-mined. The average grade also reduced from 3.96 g/t in the previous quarter to 3.57 g/t in the current quarter. The column cell was commissioned at a cost of R3.5 million during September 2009 and this is expected to reduce the chrome content in the final concentrate.

## Lannex

The Lannex plant is still in the commissioning phase and produced a total of 413 PGM ounces during the quarter. The focus at this plant is to achieve float stability and stable recoveries. The total feed through the plant has been curtailed due to a limitation on tailings disposal. The building of the new tailings dam is behind schedule due to delays in the environmental impact assessment (EIA) process. This process together with construction is expected to take approximately 10 months to complete. The plant is operating on a breakeven cost basis at present and it is expected that an increase in ounce production will be achieved during the next quarter. A total of R10.5 million has been spent on plant construction and improvements during the quarter. The total expenditure on the plant to date is R151 million.

Due to the global financial crisis, the Broken Hill run of mine (ROM) feed from Samancor has not commenced as yet. This section of the plant is on hold pending an upturn in the chrome market.

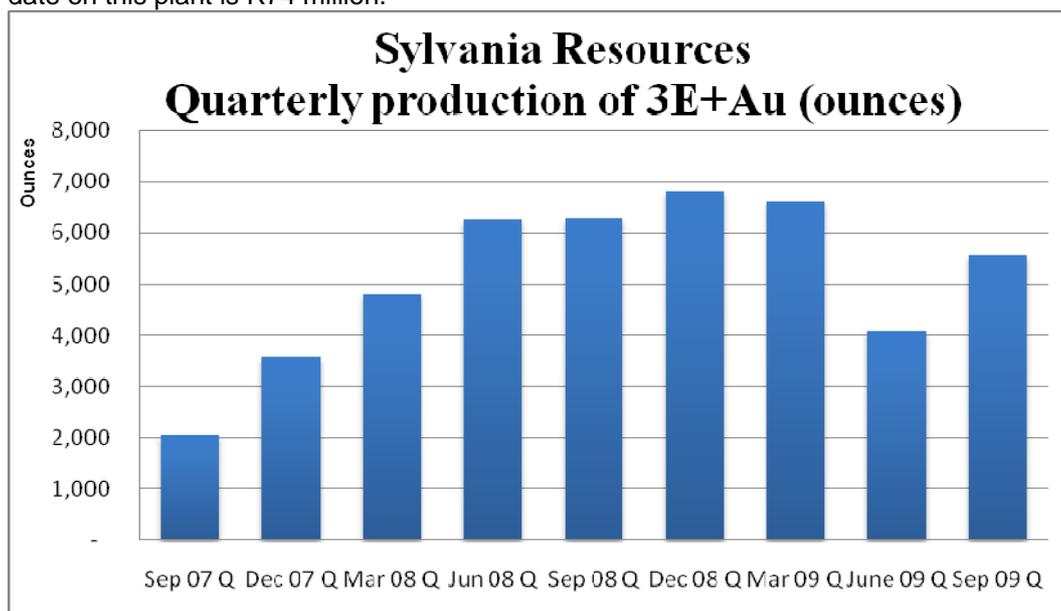
## Mooinooi

Construction of the Mooinooi plant is now in its final phase. The mechanical commissioning is 97% completed. A total of R16.5 million was spent on plant construction during the quarter. The total capital expenditure for the plant is now at R80.9 million. The first slurry through the plant is planned for November 2009. The plant produced 13,000 tons of chrome during the reporting period.

Similar to Lannex, the run of mine (ROM) feed from Samancor's Buffelsfontein section has not commenced and it is anticipated that construction of this section of the plant will only start after an upturn in the chrome market.

## Doornbosch

A total of R18.3 million was spent on construction of the Doornbosch plant during the quarter. The mill and spiral structures have been completed and the thickener and its drive have been installed. The floatation section has been constructed and the cells are in place. Commissioning is planned for the third quarter of this financial year. Total expenditure to date on this plant is R74 million.



### CTRP (Sylvania 25% attributable, managed by Acquarius Platinum)

CTRP saw a slight increase in ounces produced to 435 ounces and an increase in recoveries from 15% to 36%. Plant feed tons were lower at 17,293 tons for the quarter.

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

* Unaudited	Unit	Previous Quarter June2009	Current Quarter Sep 2009	+ - % Quarter on Quarter	YTD 3 Months to Sep 2009
<b>Revenue</b>					
Revenue	R'000	2,213	2,536	15%	2,536
Basket Price	US\$/oz	993	1,066	7%	1,066
Ave R/US\$ rate	R/US\$	8.46	7.85	-7%	7.85
<b>Site Cash Cost</b>					
Per ROM ton	R/t	60	85	-43%	85
Per ROM ton	US\$/t	7	11	-55%	11
Per PGM oz	R/oz	2,600	3,380	-30%	3,380
Per PGM oz	US\$/oz	307	431	40%	431
<b>Production</b>					
Plant Feed Tons	T	18,970	17,223	-9%	17,223
Grade	g/t	2.20	2.20	0%	2.20
Recovery	%	31%	36%	15%	36%
Total 3E and Au	Oz	422	435	3%	435

### Black Economic Empowerment Transactions update

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

Sylvania is currently negotiating with new BEE partners to replace Ehlobo. It is intended that the transactions will take place concurrently to ensure that the Companies remain BEE compliant.

### Vygenhoek Mining Application (Everest North)

A dispute between Acquarius Platinum SA (Pty) Limited (AQPSA) and Sylvania regarding the submission by Sylvania of an application for a Mining Right over Mineral Area 2 of the farm Vygenhoek in the Province of Mpumalanga, has been referred to arbitration as provided for in the agreement between AQPSA and Sylvania signed on 24 May 2005 (the Agreement). The arbitration will be conducted on an urgent basis under the rules of the Arbitration Foundation of SA.

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

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

### Ruukki/Sylvania merger

On 30 June 2009, Sylvania and Ruukki Group plc (Ruukki) (RUG1V: OMX Helsinki) announced that they had entered into a merger implementation agreement (Merger Implementation Agreement) pursuant to which Ruukki would acquire, subject to satisfaction of certain conditions, all of the issued and to be issued share capital of Sylvania under an Australian law governed scheme of arrangement between Sylvania and its shareholders (the Sylvania Scheme).

Due to difficulties experienced with the implementation of the merger, Sylvania and Ruukki announced subsequent to the end of the quarter that the Merger Implementation Agreement had been terminated by mutual agreement and the Sylvania Scheme would not proceed. There is no break fee payable by either party in respect of termination of the Merger Implementation Agreement and each party will bear its own costs associated with the Sylvania Scheme.



Sylvania, is continuing to pursue its long term strategic goal of gaining access to downstream platinum processing capacity in order to expand its low cost tailings retreatment and near surface platinum group metal (PGM) mining business model. Specifically, Sylvania is seeking to treat low grade PGM concentrates which cannot be economically processed by existing AC smelters, thereby liberating value from a range of PGM resources such as those recently acquired by Sylvania through its acquisitions of Great Australian Resources Limited and SA Metals Limited.

Sylvania and Ruukki are continuing to evaluate alternative possibilities for co-operation in the PGM business. These discussions are at a preliminary stage. Future announcements will depend on progress.

### **SA Metals and Great Australian takeover offers**

On 11 May 2009 Sylvania announced its intention to make off-market takeover offers for all of the ordinary shares in SA Metals Limited (ASX:SXM) and all of the ordinary shares in Great Australian Resources Limited (ASX:GAU) respectively.

### **SA Metals Limited (SA Metals)**

A bidder's statement containing the terms of the offer to SA Metals shareholders was dispatched to SA Metals shareholders on 10 July 2009. The all scrip offer for SA Metals was based on 1 Sylvania share for every 10 SA Metals shares held and was to close on 11 August 2009.

By 6 August 2009 Sylvania had acquired a relevant interest in over 90% of the issued shares in SA Metals. On 7 August 2009 Sylvania announced it would be proceeding to compulsorily acquire the remaining SA Metals shares pursuant to Chapter 6A of the Corporations Act. On 24 September 2009 Sylvania announced that it had completed the compulsory acquisition process and Sylvania now holds 100% of the issued capital in SA Metals.

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

The all scrip offer for GAU was initially based on 1 Sylvania share for every 18 Great Australian shares held however on 10 June 2009 Sylvania increased the consideration offered to GAU shareholders so that 1 Sylvania share was offered for every 12 GAU shares held. A bidder's statement containing the terms of the offer to GAU shareholders was dispatched to GAU shareholders on 10 July 2009 and was to close on 11 August 2009.

On 12 August 2009, Sylvania announced that following the close of the GAU offer Sylvania had a relevant interest in 89.82% of the issued shares in GAU and that compulsory acquisition would not be proceeding. Sylvania was subsequently advised by its share registry that a further 50,000 acceptances were received prior to 5.00pm (WST) on 11 August 2009 meaning that Sylvania held a relevant interest in 89.86% of the issued shares in GAU as at the close of the offer. Sylvania was further advised by its share registry that a number of late acceptances were received after the close of the offer.

On 14 August 2009 Sylvania lodged an application with the Federal Court of Australia for an order pursuant to the Corporations Act that Sylvania may compulsorily acquire the remaining shares in GAU. On 24 August 2009 Sylvania announced that the application was successful and that it would be proceeding to compulsorily acquire the remaining shares in GAU. This process was ongoing as at the end of the quarter but has subsequently been completed.

## **CORPORATE INFORMATION**

**Registered office:** Sylvania Resources Limited  
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## CONTACT DETAILS

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<b>Australia:</b>	Richard Rossiter (Chairman) Sylvania Resources Limited (+61 8) 9226 4777	Grant Button (Joint Company Secretary) Sylvania Resources Limited (+61 8) 9226 4777
<b>United Kingdom:</b>	Richard Brown Ambrian Partners Limited (+44 20) 7634 4700	Laurence Read Threadneedle Communications (+44 20) 7653 9855
<b>Sylvania Website:</b>	<a href="http://www.sylvaniaresources.com">www.sylvaniaresources.com</a>	

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



## Appendix 5B

### Mining exploration entity quarterly report

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

Name of entity

SYLVANIA RESOURCES LIMITED

ACN or ARBN

091 415 968

Quarter ended ("current quarter")

30 September 2009

### Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (3 months) \$A'000
<b>Cash flows related to operating activities</b>			
1.1	Receipts from product sales and related debtors	5,307	5,307
e1.2	Payments for		
	(a) exploration and evaluation	(48)	(48)
	(b) development	(9,373)	(9,373)
	(c) production	(3,001)	(3,001)
	(d) administration	(3,923)	(3,923)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	166	166
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other	411	411
	<b>Net Operating Cash Flows</b>	<b>(10,461)</b>	<b>(10,461)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of:		
	(a)prospects		
	(b)equity investments		
	(c) other fixed assets	(88)	(88)
	(d) financial assets		
1.9	Proceeds from sale of:		
	(a)prospects		
	(b)equity investments		
	(c)other fixed assets		
	(d) financial assets		
1.10	Loans to other entities	(3)	(3)
1.11	Loans repaid by other entities	(1)	(1)
1.12	Other (provide details if material)		
	<b>Net investing cash flows</b>	<b>(92)</b>	<b>(92)</b>
1.13	Total operating and investing cash flows (carried forward)	(10,553)	(10,553)



1.13	Total operating and investing cash flows (brought forward)	(10,553)	(10,553)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	250	250
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings	35	35
1.18	Dividends paid		
1.19	Other – capital raising costs		
	<b>Net financing cash flows</b>	<b>285</b>	<b>285</b>
	<b>Net increase (decrease) in cash held</b>	<b>(10,268)</b>	<b>(10,268)</b>
1.20	Cash at beginning of quarter/year to date	32,278	32,278
1.21	Exchange rate adjustments to item 1.20	(2,317)	(2,317)
1.22	<b>Cash at end of quarter</b>	<b>19,693</b>	<b>19,693</b>

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

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

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	447
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

### Non-cash financing and investing activities

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

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



## Financing facilities available

Add notes as necessary for an understanding of the position.

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

## Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	695
4.2 Development	5,988
<b>Total</b>	<b>6,683</b>

## Reconciliation of cash

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

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,225	3,053
5.2 Deposits at call	18,468	29,225
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>19,693</b>	<b>32,278</b>

## Changes in interests in mining tenements

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



## Issued and quoted securities at end of current quarter

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

	Total number	Number quoted	Issue price per security (see note 3)	Amount paid up per security (see note 3)
7.1 Preference securities (description)	-	-		
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	216,955,264	216,955,264	N/A	N/A
7.4 Changes during quarter (a) Increases through issues  (b) Decreases through returns of capital, buy-backs	34,792,988	34,792,988	N/A	N/A
7.5 +Convertible debt securities (description)	-	-		
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options (description and conversion factor)			<i>Exercise price</i>	<i>Expiry date</i>
	600,000	Nil	\$0.75	30 June 2010
	457,435	Nil	\$1.40	30 June 2010
	359,909	Nil	\$1.40	30 June 2011
	400,000	Nil	\$2.89	30 June 2011
	600,000	Nil	\$2.67	30 June 2011
	5,633,000	Nil	\$1.63	30 June 2011
	6,000,000	Nil	\$1.05	30 June 2012
7.8 Issued during quarter	457,435	Nil	\$1.40	30 June 2010
	359,909	Nil	\$1.40	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. his statement does give a true and fair view of the matters disclosed.



Sign here:

Date: 28 October 2009

Print name:

Chief Financial Officer  
Louis Carroll

## Notes

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

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