Interim Report

Sylvania Resources Limited

ABN 80 091 415 968

Interim report for the half year ended 31 December 2008

Contents

Corporate Information

Directors	T M McConnachie R D Rossiter J Cooke L M Carroll A P Ruiters
Joint Company Secretaries	G Button and L M Carroll
Registered office	Level 4, HPPL House 28-42 Ventnor Avenue West Perth, WA, 6005, Australia Telephone: +61 (08) 9226 4777 Facsimile: +61 (08) 9481 5044 Website: www.sylvaniaresources.com
Principal place of business	Constantia view Office Park, 2 Hogsback Street, Quellerina Ext 4, Roodepoort, 1725, South Africa Telephone: +27 (0)11 673 1171 Facsimile: +27 (0)11 673 0365 Website: www.sylvaniaresources.com
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 Chartered Accountants 15 Rheola Street West Perth, Western Australia 6005 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 Stock 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 2008.

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 this entire period unless otherwise stated.

Richard D Rossiter – *Non-Executive Chairman*
Terence M McConnachie – *Managing Director*
Louis M Carroll – *Chief Financial Officer*
Alistair P Ruiters – *Non-Executive Director*
John Cooke – *Non-Executive Director* (appointed on 18 August 2008)

Review of operations

The consolidated loss of the group after income tax expense and minority interest was $1,578,820 (2007: profit of $1,435,937). Unless otherwise stated, the financial information contained in this report is presented in Australian dollars.

South African Operations

Overview

The production of 4E Platinum Group Metals ('PGM') ounces from Sylvania's dump re-treatment projects for the last three half yearly periods is tabulated below.

Dump retreatment Operation	Half yearly production 4E PGM ounces in flotation concentrate		
	Period ending December 2008	**Period ending December 2007**	**Period ending December 2006**
CTRP	887	1,374	894
Millsell	4,077	2,151	Nil
Steelpoort	8,160	2,096	Nil
Total 4E PGM oz	**13,124**	**5,621**	**894**

The Company has over the six months under review maintained its steady growth in production, as part of Sylvania's development strategy of developing a solid foundation for expansion through its low-cost, high-margin business model. Total production was 13,124 4E PGM ounces for the half year ended 31 December 2008.

PGM prices have declined significantly in the last six months with the platinum price declining from US$2,075 as at the end of June 2008 to US$ 841 as at 31 December 2008. This global economic downturn has also resulted in a reduced demand for ferrochrome and chrome concentrates, which has resulted in the suspension of mining operations at Samancor Chrome, a key supplier of feed for Sylvania's plants. This situation is expected to continue until March 2009. Despite this set back, Sylvania has been able to maintain production, with feed from tailings dams, to compensate for the lack of current risings from Samancor. The Sylvania flotation plants have the added benefit of being flexible and therefore Sylvania is able to accommodate changes in feed source within existing

Directors' Report (continued)

Overview (continued)

design parameters with only a few adjustments. Sylvania remains well positioned as a low cost PGM producer relative to its peers and, in the six months under review it has operated cash flow positive despite the difficult market conditions.

As at 31 December 2008 the Company's cash reserves amounted to $40.6 million. A total of $7.9 million of this was held in South Africa with $32.7 million being held in Australia.

The reduction in cash compared to the beginning of the half year, in spite of positive operating cash flow generation, is attributable to the capital payments for construction of the Lannex and Mooinooi plants. The Company currently forecasts that its existing cash resources and expected operational net cash flows should be sufficient to provide ongoing working capital and complete the construction of the Lannex and Mooinooi plants, subject to currency fluctuations and the receipt of funding from the BEE partners in Sylvania Metals.

Millsell and Steelpoort

Production for the six months was 12,237 PGM ounces from the two plants. PGM plant recoveries increased to 56.8% in the period, mainly due to the introduction of recovery enhancing bead mills. This creditable performance was attributable to the sustained improvement in recoveries and a higher PGM plant grade. Output from Millsell for the quarter was lower, owing to a number of factors including a temporary reduction in feed and lower head grades.

The bead mills have been installed and commissioned at both Steelpoort and Millsell. At Steelpoort, the anticipated recovery improvements have been attained. While the Millsell bead mills are operational, they have not been running long enough for any significant improvement to be reported.

Revenue for the half year amounted to $9.9 million, lower than in the previous half year, attributable mainly to the declines in the average basket price obtained for the concentrate delivered to the smelters. Nevertheless, costs were well controlled, at US$29 per PGM feed tonne.

Directors' Report (continued)

Millsell and Steelpoort (continued)

Sylvania Dump Operations (SDO) (100%)

* Unaudited	Unit	6 Months to Dec 2008
Revenue		
Revenue	R'000	64,604
Basket Price	US$/oz	755
Gross Cash Margin - SDO	%	51%
Capital Expenditure	R'000	125,656
Ave US$ rate	US/$	8.97
SDO Cash Cost		
Per Total Feed ton	R/t	109
Per Total Feed ton	US$/t	12
Per PGM feed ton	R/t	260
Per PGM feed ton	US$/t	29
Per 3E & Au oz	R/oz	2,475
Per 3E & Au oz	US$/oz	276
Production		
Plant Feed	t	276,925
Feed Head Grade	g/t	2.74
PGM Plant Feed Tons	t	116,336
PGM Plant Grade	g/t	5.76
PGM Plant Recovery	%	56.8%
Total 3E and Au	Oz	12,237

Health, safety and environment

The SDO operations have consistently reported exemplary results in safety, health and environmental performance and are continuously examining ways of improving its safety, through consistent vigilance and staff training.

Directors' Report (continued)

Plant development at new sites

Lannex Plant: The Broken Hill section of the Lannex plant was commissioned successfully in the second week of October 2008. Problems with the supply of concrete, and adverse weather conditions, delayed the construction of the Lannex dump classification section and PGM recovery plants, resulting in a delay in the commissioning of the PGM plant to about March 2009 (one month later than forecast). Construction is scheduled to be fully completed by the end of March 2009. The final capex cost is forecast at AU$23 million.

Mooinooi Plant: In view of the current PGM price environment, the impact of power shortages as well as the lower grades and costs associated with diesel power generation, the Mooinooi project has been downscaled to a 37,000 tonne per month (tpm) chrome feed plant from the previously indicated 70 000 tpm chrome feed plant. Mooinooi will source monthly feed from Buffelsfontein (20,000 tpm ROM), Mooinooi mine (7,000 tpm current risings) and Elandsdrift mine (10,000 tpm dump material). The long lead capital items ordered for the larger Mooinooi plant are being redirected and made available for the Doornbosch plant, which is being fast-tracked for commissioning (see below). This rescheduling of design capacity is not expected to have any negative effect on the overall PGM production previously forecast, as the Doornbosch and Tweefontein plants are expected to make up for lost monthly design capacity. The reduced feed design at Mooinooi will prolong the life of the operation. It is expected that production will commence by the end of June 2009.

Doornbosch Project: The new Doornbosch chrome and PGM recovery plant as announced on 29 October 2008, and originally due to be commissioned in January 2010, has been fast- tracked, with construction teams moving on site in early January 2009. Doornbosch lends itself to rapid project execution as it involves the placement of modular units designed for existing operations. Long lead capital items (see note above on Mooinooi) such as the thickener, Solid Rubber Roller mill, the PGM recovery circuit and feed tank have already been sourced and paid for. The plant is due for commissioning in June 2009, some four months earlier than previously forecast, adding some 26,000 PGM oz per annum at steady-state production to Sylvania's output by the end of the calendar year.

Tweefontein Plant: Construction of the Tweefontein plant (also announced on 29 October 2008) will start in March 2009, with commissioning planned for the end of calendar year 2009. The Tweefontein plant is intended to treat 37,000 tonnes per month of dechromed material and current risings at steady-state.

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 887 PGM ounces and received revenue of $464,332, at a cost of US$12 per feed tonne from 30,001 plant feed tonnes.

Everest North

Sylvania has, as duly authorised representative and agent of Aquarius Platinum SA (Pty) Limited ("AQPSA"), completed the application for a mining right to mine for platinum group minerals and associated minerals on the farm Vygenhoek in the district of Mpumulanga. A copy of the mining application was lodged with AQPSA to afford them the opportunity to advise Sylvania if they require any amendments to the application before it is lodged with the Department of Minerals and Energy ("DME"). At the time of this report, SLV was still waiting for AQPSA response.

Directors' Report (continued)

Everest North (continued)

Following a response from AQSPA, the application will be lodged at the DME in accordance with the Minerals and Petroleum Resources Development Act.

In the interim a letter was received from AQPSA indicating that they are disputing Sylvania's rights to prepare and deliver such a mining application.

Sylvania's view is that it has entered into a valid and enforceable contract with AQPSA that it is strictly adhering to and that AQPSA has no right to unilaterally withdraw from that agreement.

Corporate structure, empowerment and management

A reorganisation of the corporate structure of Sylvania has resulted in shares previously held by Sylvania Resources and Ehlobo Metals in Sylvania Minerals (Pty) Limited being transferred to Sylvania Metals. Sylvania Minerals is now a wholly owned subsidiary of Sylvania Metals.

A further development in the half year was the disposal of Sylvania's interests in the Harriet's Wish, Aurora and Cracow exploration projects to Great Australian Resources Limited (GAU). This transaction illustrates Sylvania's sustained focus on low-cost surface operations, leaving the Company's exploration projects to GAU as its preferred exploration partner. Progress has been made with regard to the submission to the South African Department of Minerals and Energy (DME) of the application for the Section 11 transfer of ownership rights for the projects transferred to GAU. It is expected that the approved mineral rights will be transferred to GAU in the 4^{th} quarter to 30 June 2009.

In terms of a further BEE transaction concluded on 7 January 2009 and in pursuit of Sylvania's goal of compliance with the South African Minerals and Petroleum Resources Development Act (MPRDA), Sylvania SA has entered into a shareholders' agreement with African Dune Investments 114 (Pty) Limited (a black empowerment company). Sylvania SA has officially notified Aquarius Platinum ("Aquarius") of the viability of the Vygenhoek deposit on the Everest North property and, in terms of the binding agreement, is currently completing the documentation necessary to apply for a mining licence in order to mine the deposit. The application is likely to be submitted to the DME and Aquarius during the current quarter to 31 March 2009.

The operational structure has also undergone a degree of restructuring, characterised by flattening the hierarchy, streamlining the organisation and reducing overhead management costs in line with the totally transformed economic environment. A number of operational management functions have been combined in order to leverage the synergies between operations and capital plant erection.

As a result of the reorganisation, these two disciplines report to one general manager responsible for both functions.

Directors' Report (continued)

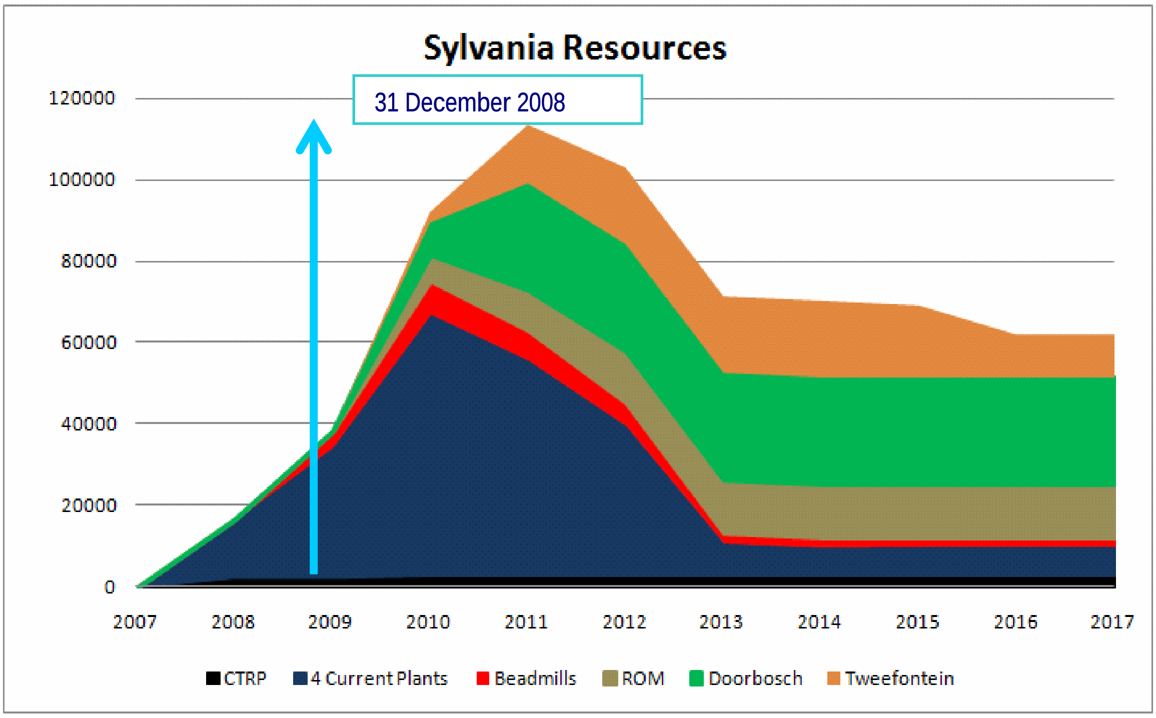
Corporate structure, empowerment and management (continued)

The operational review has resulted in Sylvania Metals not renewing its contracts with the Company's contractors who were operating the Millsell and Steelpoort plants. Sylvania Metals is currently employing the necessary staff to operate these plants. This process will be completed by early March 2009, and it is expected will have very little negative impact on production.

This change in strategy will be applied to all new plants. Bringing plant operation wholly in house is expected to result in improved operational control, streamlined management of the construction and the commissioning of plants and, ultimately, a lower cost structure.

Outlook

The unique business model of Sylvania remains low cost (with a target of reducing cost to less than $300/oz), and high margins. In the past half year, this has also translated into securing volume growth as announced to shareholders on 29 October 2008, with the stated intention of constructing two additional chrome and platinum recovery plants at Samancor's Doornbosch and Tweefontein chrome mines. The two new plants will provide additional flexibility in difficult PGM market conditions. By fast-tracking the Doornbosch plant, Sylvania will be well placed to derive the benefits of superior grades and secure feed. At steady-state production levels, Doornbosch and Tweefontein plants will add some 36,000 PGM oz annually to Sylvania's production for life of mine (15 years), the total of which is expected to peak at approximately 100,000 oz by 2011. This figure is some 14.85% higher than the anticipated peak production of 87,071 oz originally forecast.



Change of Company Secretary and registered office

Following the end of the reporting period, Messrs Grant Button and Louis Carroll were appointed as joint company secretaries, effective 19 January 2009.

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 10 and forms part of the directors' report for the half year ended 31 December 2008.

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
13 March 2009

HLB Mann Judd

Accountants | Business and Financial Advisers

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 2008, 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.

Perth, Western Australia
13 March 2009

W M CLARK
Partner, HLB Mann Judd

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Condensed Income Statement
for the half year ended 31 December 2008

	Note	Consolidated half year ended 31 December 2008 $	2007 $
Revenue	3	10,131,197	7,059,531
Other income		1,843,391	1,478,298
Share of net profits of jointly controlled entity accounted for using the equity method		6,267	2,171,832
		11,980,855	10,709,661
Raw materials and consumables used		(5,071,964)	(2,633,961)
Consulting fees		(898,713)	(535,740)
Depreciation		(852,418)	(1,381,926)
Finance costs		-	(3,915)
Foreign exchange gain / (loss)		406,347	(1,260,863)
Devaluation of impaired investment		(1,710,898)	-
Share based payment expense		(1,222,536)	(245,199)
Other expenses		(2,710,543)	(2,425,631)
(Loss) / profit before income tax benefit		(79,870)	2,222,426
Income tax expense		(873,914)	(786,489)
(Loss) / profit after income tax expense		(953,784)	1,435,937
Profit attributable to minority interest		(625,036)	-
Net profit / (loss) attributable to members of the parent		**(1,578,820)**	**1,435,937**
		Cents	Cents
Basic earnings / (loss) per share (cents per share)		(0.88)	0.83
Diluted earnings / (loss) per share (cents per share)		(0.88)	0.81

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

Condensed Balance Sheet
as at 31 December 2008

	Note	31 December 2008 $	30 June 2008 $
ASSETS			
Current Assets			
Cash and cash equivalents		40,630,003	43,623,564
Trade and other receivables		10,324,797	15,886,145
Inventories		319,720	227,440
		51,274,520	59,737,149
Assets classified as held for sale	5	352,067	-
Total Current Assets		51,626,587	59,737,149
Non-Current Assets			
Available-for-sale financial assets		541,201	2,252,098
Investments accounted for using the equity method		4,348,213	4,404,466
Deferred exploration expenditure		1,701,781	1,728,310
Property, plant and equipment		53,694,256	29,578,317
Total Non-Current Assets		60,285,451	37,963,191
Total Assets		111,912,038	97,700,340
Current Liabilities			
Trade and other payables		6,110,184	2,654,108
Borrowings		138,086	78,074
Current tax		1,863,262	1,024,695
		8,111,532	3,756,877
Non-Current Liabilities			
Borrowings		304,108	251,298
Provisions		412,026	355,158
Deferred tax		3,834,346	3,543,998
		4,550,480	4,150,454
Total Liabilities		12,662,012	7,907,331
Net assets		99,250,026	89,793,009
Equity			
Issued capital		117,224,842	117,274,097
Reserves		(1,998,779)	(12,458,835)
Accumulated losses		(18,425,886)	(16,847,066)
Capital and reserves attributable to equity holders of Sylvania Resources Limited		96,800,177	87,968,196
Minority interest		2,449,849	1,824,813
Total Equity		99,250,026	89,793,009

The above condensed Balance Sheet should be read in conjunction with the accompanying notes.

Condensed Statement of Changes in Equity for the half year ended 31 December 2008

	Consolidated				
	Issued Capital $	Accumulated Losses $	Reserves $	Minority Equity Interests $	**Total** $
Balance at 1 July 2007	105,950,221	(26,709,252)	(1,719,109)	-	77,521,860
Shares issued	-	-	-	-	-
Options exercised	373,909	-	(173,909)	-	200,000
Employee share plan loan repaid – proceeds	1,062,500	-	-	-	1,062,500
Share based payment reserve transfer to contributed equity	341,383	-	(341,383)	-	-
Capital raising costs	(12,801)	-	-	-	(12,801)
Profit for the period	-	1,435,937	-	-	1,435,937
Share based compensation reserve	-	-	245,199	-	245,199
Net gains revaluation reserve	-	-	(488,817)	-	(488,817)
Currency translation differences	-	-	(4,077)	-	(4,077)
Balance at 31 December 2007	107,715,212	(25,273,315)	(2,482,096)	-	79,959,801
Balance at 1 July 2008	**117,274,097**	**(16,847,066)**	**(12,458,835)**	**1,824,813**	**89,793,009**
Capital raising costs	(49,255)	-	-	-	(49,255)
Profit for the period	-	(1,578,820)	-	625,036	(953,784)
Share based compensation reserve	-	-	1,222,536	-	1,222,536
Currency translation differences	-	-	9,237,520	-	9,237,520
Balance at 31 December 2008	**117,224,842**	**(18,425,886)**	**(1,998,779)**	**2,449,849**	**99,250,026**

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

Condensed Cash Flow Statement
for the half year ended 31 December 2008

	Consolidated	
	31 December 2008 $	31 December 2007 $
Cash flows from operating activities		
Receipts from customers	17,817,022	550,336
Joint venture partnership distribution received	1,002,499	138,868
Payments to suppliers and employees	(8,415,266)	(6,146,717)
Interest received	1,679,935	961,737
Other revenue	79,958	42,654
Net cash outflow from operating activities	12,164,148	(4,453,122)
Cash flows from investing activities		
Payments for plant and equipment	(20,887,828)	(4,796,561)
Payments for exploration and evaluation	(48,799)	(356,340)
Payments for prospects	-	(377,578)
Payments for available-for-sale financial assets	-	(4,715,560)
Payments of loans to other parties	(3,287)	(1,103,830)
Repayment of loans by other parties	(391,677)	4,000
Net cash outflow from investing activities	(21,331,591)	(11,345,869)
Cash flows from financing activities		
Proceeds from the issue of shares	-	862,500
Capital raising costs	(44,752)	(225,077)
Net cash inflow from financing activities	(44,752)	637,423
Net increase/(decrease) in cash held	(9,212,195)	(15,161,568)
Cash at the beginning of reporting period	43,623,564	56,225,793
Effect of foreign exchange on cash	6,218,635	(1,283,162)
Cash at the end of the reporting period	40,630,004	39,781,063

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

Notes to the Financial Statements
for the half year ended 31 December 2008

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 2008 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.

Basis of preparation

The half-year report has been prepared on a historical cost basis, except for available-for-sale 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.

Notes to the Financial Statements
for the half year ended 31 December 2008

Note 1: Statement of Significant Accounting Policies (Continued)

Except as described below, in preparing this half-year 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 2008.

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.

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2008, 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 2008.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

Notes to the Financial Statements
for the half year ended 31 December 2008

Note 2: Segment information

The Group's primary segment reporting format is geographical segments.

Half Year 31 December 2008	South Africa $	Australia $	Unallocated $	Consolidated $
Segment revenue	10,242,707	39,503	1,698,645	11,980,855
Segment result	2,349,266	(4,127,781)	824,731	(953,784)

Half Year 31 December 2007	South Africa $	Australia $	Unallocated $	Consolidated $
Segment revenue	9,255,741	-	1,453,920	10,709,661
Segment result	3,833,775	(3,065,269)	667,431	1,435,937

Note 3: Profit / (Loss) for the half year

	Consolidated	
	31 December 2008 $	31 December 2007 $
The following revenue and expense items are relevant in explaining the financial performance for the half - year		
Interest Received	1,698,645	1,453,920

Note 4: Issued capital

	Consolidated	
	31 December 2008 $	30 June 2008 $
Ordinary shares issued and fully paid	117,224,842	117,274,097

	Number	$
Movements in ordinary shares on issue		
At 1 July 2008	180,012,273	117,274,097
Issue of shares under the employee share plan	1,650,000	-
Less: allocated share issue costs	-	(49,255)
At 31 December 2008	181,662,273	117,224,842

Notes to the Financial Statements
for the half year ended 31 December 2008

Note 5: Current assets classified as held for sale

	Consolidated	
	31 December 2008	30 June 2008
	$	$
Mineral rights (i)	352,067	-

(i) As announced to the Australian Stock Exchange on 27 October 2008, the Group intends to dispose of it's interests in the Sika – Bopha tenements of Harriets Wish, Aurora, and Cracouw. No impairment loss was recognised on reclassification of the mineral rights as held for sale at reporting date. Under the vendor contracts, the Group has a call option over the tenements exercisable at a price dependant upon the future PGM basket price and the identified resource. As it is not possible to reliably attribute a fair value to the call option it has not been recorded as an asset in the financial statements.

Note 6: Contingent liabilities

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

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 11 to 18 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 2008 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
13 March 2009

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of

SYLVANIA RESOURCES LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report, which comprises the condensed balance sheet as at 31 December 2008, the condensed income statement, condensed statement of changes in equity, condensed cash flow statement 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 2008 ("consolidated entity").

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year 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 half-year 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 half-year 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 2008 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 a half-year 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. We confirm that the independence declaration required by the Corporations Act 2001 has been provided to the directors of Sylvania Resources Limited on 13 March 2009.

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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 half year 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 2008 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
Chartered Accountants

Perth, Western Australia
13 March 2009

W M CLARK
Partner