

29 April 2009

Quarterly Report 31 March 2009

## Highlights

- **R44,586,000 revenues -105% increase from previous quarter (Q2: R21,716,000)**
  - 24% PGM Basket price increase
  - Positive pipeline revenue adjustment increase of R9, 2 million (Q2 negative revenue adjustment of R14, 5 million)
- **Net profit of R14,081,000 (Q2 R21,354,000) – sustained profit in difficult times**
- **PGM cash costs of \$276 per ounce**
- **Lannex plant commissioned and in production ramp up phase**
  - Successful conclusion to the Boynton dispute
  - On target to reach steady state production levels - June 09
- **Construction and planning of a further three plants in progress**

Commenting on the results today Terry McConnachie, Managing Director, of Sylvania said: *"I think the revenue and profit figures reported from the quarter shows that we have built Sylvania into a solid business with sustainable margins. The PGM basket price recovery contributed to our financial performance but ensuring our plants are continually optimized and efficient is at the core of our success. The quarter saw the commissioning of our third plant and in April the successful conclusion to the dispute with Boynton. Sylvania is on target to reach steady state production levels by the end of June from Lannex and will forge ahead with the development of the three other tailings plants."*



## OVERVIEW

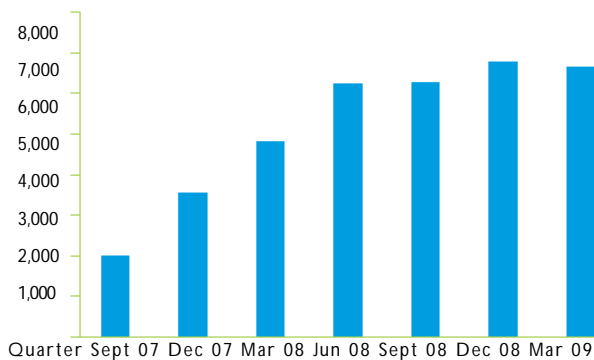
Sylvania Resources Limited

* Unaudited -	Unit	Previous Quarter Dec 2008	Current Quarter March 2009	YTD 9 Months to March 2009
<b>Financials</b>				
Revenue	R'000	21,716	<b>44,586</b>	112,212
Operating Profit BT & exchange variances (100%)	R'000	3,180	<b>14,772</b>	32,187
Exchange Variance	R'000	29,344	<b>-1,903</b>	48,354
Impairment of Assets	R'000	-11,170	<b>1,211</b>	-18,037
Net profit BT & Minority Interest	R'000	21,354	<b>14,081</b>	62,503
Ave R/\$ rate	R/\$	9.91	<b>9.93</b>	9.92
<b>Production</b>				
Plant Feed Tons	t	69,848	<b>66,612</b>	212,949
3E and Au	Oz	6,828	<b>6,615</b>	19,738

Group operating profit before tax and minority interest for the quarter was R14,772,000 (Q2 R3,180,000). Extraordinary adjustments of R1,903,000 for exchange losses on funds held in Australia, and a revaluation profit in listed investments of R1,211,000 realised a profit for the quarter amounting to R14,081,000.

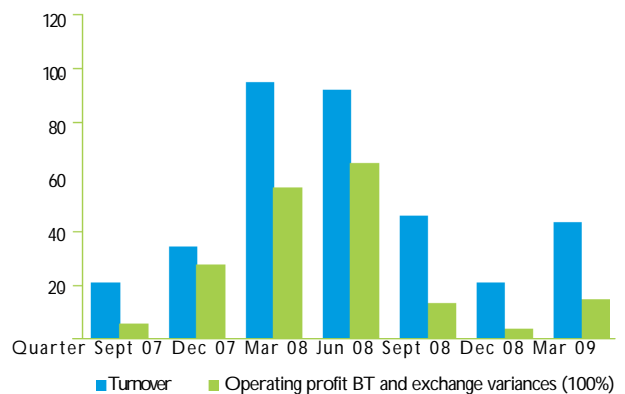
Sylvania Resources Limited - Quarterly production

Ounces



Sylvania Resources Limited

ZAR - Millions



## HEALTH, SAFETY AND ENVIRONMENT

No incidents reported resulting in a zero lost day injury frequency for the quarter.

## SYLVANIA DUMP OPERATIONS (100%)

### Statistical Information

* Unaudited	Unit	Previous Quarter Dec 2008	Current Quarter March 2009	+ - % Quarter on Quarter	YTD 9 Months to March 2009
<b>Revenue</b>					
Revenue	R'000	20,240	<b>42,869</b>	112%	107,473
Basket Price	\$/oz	687	<b>850</b>	24%	825
Gross Cash Margin - SDO	%	16%	<b>56%</b>	247%	53%
Capital Expenditure	R'000	67,179	<b>35,279</b>	-47%	160,936
Ave R/\$ rate	R/\$	9.91	<b>9.93</b>	.2%	9.92
<b>SDO Cash Cost</b>					
Per PGM Feed ton	R/t	274	<b>316</b>	-15%	278
Per PGM Feed ton	\$/t	28	<b>32</b>	-14%	28
Per 3E & Au oz	R/oz	2,460	<b>2,741</b>	-11%	2,565
Per 3E & Au oz	\$/oz	248	<b>276</b>	-11%	258
<b>Production</b>					
Plant Feed	t	137,924	<b>124,585</b>	-10%	401,510
Feed Head Grade	g/t	2.85	<b>2.79</b>	-2%	2.77
PGM Plant Feed Tons	t	57,251	<b>53,929</b>	-6%	170,265
PGM Plant Grade	g/t	5.94	<b>5.80</b>	-2%	5.63
PGM Plant Recovery	%	58.3%	<b>61.9%</b>	6%	59.9%
Total 3E and Au	Oz	6,382	<b>6,218</b>	-3%	18,455

Revenue increased by 112% quarter on quarter. This reflected a 24% increase in the Basket price of PGM's, and the impact of reconciliation adjustments. Revenues in the current quarter include a positive adjustment of R9,2 million compared to a negative adjustment of R14,5million in the previous quarter..

As a result of the Samancor shut down during the quarter, current risings feed reduced from 40,997 tons to 12,826 tons. This reduction in current risings feed was replaced with additional mining from the dump. The change over from current risings to only dump mining marginally affected feed production.

Dump material is more oxidized than fresh current risings which resulted in a slight reduction in ounces produced during this quarter.

#### Millsell Plant (Operational from June 2007)

The Sylvania Millsell operation has shown steady growth in terms of plant availability and recoveries. The capital invested in improving pump efficiency has had a positive effect on plant availability. The lack of the Samancor current risings which contain 'easy recoverable' PGM's, in January and February (during the Samancor shutdown), negatively affected the business unit's performance but created an opportunity for optimizing the plant whilst feeding only dump material. The 185kW bead mill is currently being tuned and is already showing some improvement in overall PGM recovery. The dumps are being mechanically mined and small scale hydro mining of the core have been initiated towards the end of the quarter and are contributing to PGM production. The Pump Efficiency Improvement project at Millsell was successfully completed during the quarter. This will deliver savings in the Q4 F 2009 due to pumps operating at higher efficiency and lower pump repair costs.

Improvement capital expenditure during the quarter amounted to R1,258,000.

#### Steelpoort (Operational from September 2007)

The Sylvania Steelpoort flotation plant improved to a 98% availability in February. This was mainly due to improved maintenance planning resulting in reduced breakdowns. The operation achieved a new monthly production record in February 2009 of 1,505 Oz. Flotation recoveries improved to 76% in the 3rd quarter. Phase 1 of the slimes dam has been mined and the footprint has been cleared for the extension of the current slimes dam. The head grade of the Phase 2 slimes dam is lower on the outer walls of the dump (1.45g/t) at the start of the mining and this resulted in lower PGM ounces produced in March. The grade improved to 3.2g/t as mining progressed away from the walls towards the centre of the dam. Optimizing of the bead mills remains a focal point to further improve PGM recoveries in the flotation section. The outlying dumps with higher grade feed material will be moved to the Steelpoort plant for processing to ensure more consistent grade.

Improvement capital expenditure for the quarter amounted to R1,854,000.

## GROWTH PROJECTS

**Lannex Plant:** The Lannex PGM operation was successfully commissioned during the quarter under review. The plant's ramp-up phase commenced in April and it is planned for the plant to treat designed tonnage by the end of June. Prior to the commissioning of the PGM section the Broken Hill section was commissioned successfully in October 2008.

Total plant construction cost including commitments totaled R135.5 million at the end of the March quarter. Expenditure for the quarter amounted to R15.8 million. Commissioning costs inclusive of strategic stores and first fill is estimated to reach approximately R5 million.

**Doornbosch Plant:** The construction of the new Doornbosch Plant which is a 37,500 ton per month feed plant is progressing well and earth works and civil work are well under way. All long lead items (PGM float cells, mill and flotation equipment) are ready for delivery to site. This plant is being fast tracked to come into production in September 2009. Capital expenditure for the quarter was R350,000.

**Mooinooi Plant:** The Mooinooi project to construct a 37,000 ton chrome recovery and PGM floatation plant is progressing well and once completed, the plant will treat current risings from the Samancor Mooinooi, Elandsdrift and Buffelsfontein Mines as well as other surrounding dumps. Civil works have been completed, with steel structures 40% complete. Long lead items are on site. Commissioning is scheduled for September 2009 some two months later than originally planned, as we have used some of the Mooinooi resources to fast track Doornbosch plant where feed grades are higher. Capital expenditure for the quarter was R12,983,000.

**Tweefontein Plant:** The Tweefontein plant will be a 37,000 ton feed plant which is planned to treat 10,000 ton current risings from the Tweefontein mine and 27,000 tons of slimes from the Tweefontein void. This project is in the design phase and it is planned to start civil work in May 2009. The current proposal indicates that the plant will be erected by November 2009, with commissioning in December 2009. Total Capital expenditure for quarter amounts to R3 million.

### Chrome Tailings Retreatment Project (CTRP) (25% attributable) (Managed by AQP)

Statistical Information

* Unaudited	Unit	Previous Quarter Dec 2008	Current Quarter March 2009	+ - % Quarter on Quarter	YTD 9 Months to March 2009
<b>Revenue</b>					
Revenue					
Revenue	R'000	1,475	<b>1,716</b>	16%	4,739
Basket Price	\$/oz	984	<b>859</b>	-13%	1,323
Ave R/\$ rate	R/\$	9.68	<b>9.95</b>	3%	9.13
<b>Site Cash Cost</b>					
Per ROM ton	R/t	119	<b>64</b>	46%	94
Per ROM ton	\$/t	12	<b>6</b>	48%	10
Per PGM oz	R/oz	3,352	<b>2,043</b>	39%	3,111
Per PGM oz	\$/oz	346	<b>205</b>	41%	341
<b>Production</b>					
Plant Feed Tons	t	12,597	<b>12,683</b>	1%	42,684
Grade	g/t	2.27	<b>2.15</b>	-5%	2.50
Recovery	%	48%	<b>44%</b>	-4%	41%
Total 3E and Au	Oz	446	<b>397</b>	-11%	1,284

Cash costs decreased due to cost reductions as well as a reversal of unrealized expense accruals made during prior periods.

Recoveries decreased due to the lower head grade and a breakdown on the Deswick mill, which resulted in the mill being bypassed. The head grade decreased as a result of grade variances within the chromite dump source material.

## OTHER MATTERS

### Boynton Court Decision

Subsequent to the end of the quarter, Boynton Investments (Pty) Ltd, as expected, took the dispute about ownership of the PGM contained in the Lannex Dump to the High Court of SA by way of an urgent application for a court order declaring Boynton as owner or co-owner of the PGM material in the Dump.

After Sylvania filed their opposing papers, Boynton withdrew their application and offered to pay all Sylvania's legal costs.

Boynton's withdrawal has vindicated Sylvania's longstanding view based on sound legal advice, that Boynton has no standing to claim that it is the co-owner of any of the dump material in the Lannex Dump.

### Everest North

#### Vygenhoek Mining Application

As was recorded in the previous quarterly report, the application for a mining right to mine for platinum and associated minerals on the farm Vygenhoek in the Mpumalanga Province of South Africa was duly submitted to Aquarius Platinum SA for their comments prior to the submission thereof to the South African Department of Minerals and Energy (DME).

Sylvania has set time deadlines but is still awaiting feedback from Aquarius where after the mining application will be lodged with the DME.

## CORPORATE INFORMATION

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**Sylvania Website:** [www.sylvaniamresources.com](http://www.sylvaniamresources.com)

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 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.

## APPENDIX 5B MINING EXPLORATION ENTITY QUARTERLY REPORT

Name of entity **SYLVANIA RESOURCES LIMITED**

ACN or ARBN  
091 415 968

Quarter ended ("current quarter")  
31 March 2009

### CONSOLIDATED STATEMENT OF CASH FLOWS

Cash flows related to operating activities		Current quarter \$A'000	(9 months) \$A'000 Year to date
1.1	Receipts from product sales and related debtors	7,321	29,271
1.2	Payments for (a) exploration and evaluation	(31)	(89)
	(b) development	(9,481)	(27,769)
	(c) production	(2,965)	(8,524)
	(d) administration	(1,958)	(6,398)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	612	2,269
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid	(558)	(558)
1.7	Other	(12)	(601)
	<b>Net Operating Cash Flows</b>	<b>(7,072)</b>	<b>(12,399)</b>
Cash flows related to investing activities			
1.8	Payment for (a) prospects	(711)	(711)
	purchases of: (b) equity investments		
	(c) other fixed assets	(16)	(52)
1.9	Proceeds from sale of: (a) prospects		
	(b) equity investments		
	(c) other fixed assets		
1.10	Loans to other entities	(4)	(31)
1.11	Loans repaid by other entities	21	43
1.12	Other (provide details if material)		
	<b>Net investing cash flows</b>	<b>(710)</b>	<b>(751)</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(7,782)</b>	<b>(13,150)</b>
1.13	Total operating and investing cash flows (brought forward)	<b>(7,782)</b>	<b>(13,150)</b>
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings	(54)	(1)
1.18	Dividends paid		
1.19	Other – capital raising costs		(50)
	<b>Net financing cash flows</b>	<b>(54)</b>	<b>(51)</b>
	<b>Net increase (decrease) in cash held</b>	<b>(7,836)</b>	<b>(13,201)</b>
1.20	Cash at beginning of quarter/year to date	40,670	43,849
1.21	Exchange rate adjustments to item 1.20	(370)	1,816
1.22	<b>Cash at end of quarter</b>	<b>32,464</b>	<b>32,464</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	248
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	1,000
4.2 Development	14,385
<b>Total</b>	<b>15,385</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	4,343	7,558
5.2 Deposits at call	28,121	33,112
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>32,464</b>	<b>40,670</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	181,662,273	181,662,273	N/A	N/A
7.4 Changes during quarter				
(a) Increases through issues	700,000	700,000	\$1.63	Issued pursuant to the Sylvania Share Plan
(b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities (description)	-	-		
7.6 Changes during quarter				
(a) Increases through issues				
(b) Decreases through securities matured, converted				
7.7 Options (description and conversion factor)			<i>Exercise date</i>	<i>Expiry Date</i>
	500,000	Nil	\$0.50	30 June 2009
	600,000	Nil	\$0.75	30 June 2010
	400,000	Nil	\$2.89	30 June 2011
	600,000	Nil	\$2.67	30 June 2011
	5,633,000	Nil	\$1.63	30 June 2011
7.8 Issued during quarter	2,250,000	Nil	\$1.63	30 June 2011
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures (totals only)	-	-		
7.12 Unsecured notes (totals only)	-	-		

\* See chapter 19 for defined terms

## COMPLIANCE STATEMENT

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.



Date: 29 April 2009  
Chief Financial Officer

Print name: 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.