

("Sylvania" or "the Company")
ASX / AIM (SLV)
A.C.N. 091 415 968
Issued shares: 250,791,142

29 October 2010

Quarterly Report 30 September 2010

HIGHLIGHTS

- **Successful quarter for the Sylvania dump operations ("SDO")**
 - Record high production of 8,758 ounces from the five SDO plants
 - Mooinooi run of mine ("ROM") yielding favourable results
 - Doornbosch commissioning completed and production on schedule;
- **JORC compliant resource declared for the Volspruit project;**
- **Share Exchange Agreement with Africa Asia Capital Limited ("AACL") consolidates SDO;**
- **Construction of the Lannex tailings dam commenced;**

OVERVIEW

Following the announcement on 19 October 2010, relating to quarterly production of 8,621 ounces, an additional 137 ounces were received after refinery corrections thus yielding a new record high of 8,758 ounces platinum group metals ("PGMs") at the five SDO plants during the quarter to 30 September 2010. This exceeds the previously stated outlook for the quarter by 758 ounces. The excellent production performance represents a 32% increase on the previous quarter and is due mainly to the successful start up of the Doornbosch plant and ongoing improvements at the other operations. Further improvements are expected at all the plants and a steady increase in production is forecast which will generate 40,000 ounces PGMs for the financial year to 30 June 2011. Despite the negative impact the strengthening of the South African Rand has had on commodity prices received, SDO revenue increased by 4% to R60 million on the previous quarter, while the average cost per ounce decreased by 13% to R4,667/oz (US\$655/oz). As the new plants become more efficient, the average US\$/oz cash cost is forecast to drop steadily, further cementing Sylvania as one of the lowest per ounce cash cost platinum production companies. The Company had R153 million (A\$23 million) cash available at the end of September 2010.

The Volspruit (formerly Grass Valley) project has been declared a JORC compliant resource with 1.15 million ounces measured and a further 2.44 million ounces indicated and inferred. The project is well advanced and Sylvania is planning to submit the mining right application in Q1 2011. The new Volspruit mine will allow Sylvania to continue to achieve its vision of becoming a pre-eminent South African mid-tier PGM producer.

During the quarter to 30 September 2010 AACL acquired the 26% shareholding in Sylvania Metals (Pty) Limited ("Sylvania Metals") previously held by Ehlobo Metals (Pty) Ltd. Sylvania subsequently agreed to acquire the 26% in Sylvania Metals in exchange for a 19.5% shareholding in Sylvania. Sylvania has issued 7,711,888 shares to AACL and the balance of 51,170,663 shares will be issued as consideration if the transaction is ratified by the shareholders at a general meeting to be held on 23 November 2010.

* Unaudited - Group	Unit	June 2010 Quarter	Sep 2010 Quarter	% Change
Financials				
Revenue	R'000	60,375	62,844	4%
Ave R/US\$ rate	R/US\$	7.58	7.13	-6%

* Unaudited - Group	Unit	June 2010 Quarter	Sep 2010 Quarter0	% Change
Production				
PGM Plant Feed Tons	t	117,703	155,951	32%
PGM 3E and Au	oz	6,937	9,126	32%

A. SYLVANIA DUMP OPERATIONS

Health, safety and environment

Sylvania has achieved 12 months without a lost time injury and remains committed to keeping the incident frequency rate at zero through continued education, improving safety procedures and working to the highest possible standards.

Sylvania Dump Operations (100%) : Statistical Information

* Unaudited	Unit	June 2010 Quarter	Sep 2010 Quarter	+ - % Quarter on Quarter	2011 Financial YTD
Revenue					
Revenue	R'000	58,016	60,393	4%	60,393
Gross Basket Price	US\$/oz	1,400	1,423	2%	1,423
Net Basket Price	US\$/oz	1,033	1,015	-2%	1,015
Gross Cash Margin - SDO	%	40%	33%	-18%	33%
Capital Expenditure	R'000	21,901	8,509	-61%	8,509
Ave R/US\$ rate	R/US\$	7.58	7.13	-6%	7.13
EBITDA	R'000	22,712	13,199	-42%	13,199
SDO Cash Cost					
Per PGM Feed ton	R/t	357	281	-21%	281
Per PGM Feed ton	US\$/t	47	39	-17%	39
Per 3E & Au oz	R/oz	5,340	4,667	-13%	4,667
Per 3E & Au oz	US\$/oz	704	655	-7%	655
Production					
Plant Feed	t	219,120	332,689	52%	332,689
Feed Head Grade	g/t	2.73	2.37	-13%	2.37
PGM Plant Feed Tons	t	98,992	145,481	47%	145,481
PGM Plant Grade	g/t	5.22	4.31	-17%	4.31
PGM Plant Recovery	%	39.7%	42.7%	8%	42.7%
Total 3E and Au	oz	6,611	8,758	32%	8,758



Millsell

The Millsell operation has remained consistent during the quarter to 30 September 2010 producing 2,377 ounces, a slight increase on the previous quarter. Recoveries also increased from 42% to 44%. The costs for the quarter showed a decrease over the previous quarter dropping from R3,997/oz (US\$527/oz) to R2,387/oz, (US\$335) a 40% improvement. The reduction in cost per ounce is due to costs being contained following the additional R4.3 million electricity charge incurred in the previous quarter.

The main focus at Millsell remains on improving floatation recoveries through optimisation of the SMD mill and reagent control.

Steelpoort

The Steelpoort operation produced 2,750 ounces for the quarter to 30 September 2010 a decrease from 2,876 ounces in the previous quarter however recoveries increased to 60% from 51% in the previous quarter. The float plant uptime remained stable at 95%. Cost per ounce increased from R2,383/oz to R3,206/oz (US\$450/oz), a 43% increase on the previous quarter. The increased cost per ounce is as a result of the lower grade, highly oxidised material of the outer wall of the tailings dam yielding lower ounce production in July 2010.

The improved recovery results achieved at Steelpoort are due to the installation of the additional cyclone in the circuit and higher density feed being processed through the float plant. The stability of the bead mill also helped to improve the polishing of the material surface resulting in more "locked" PGMs being exposed.

Lannex

On 30 July 2010, Sylvania announced that the water licence for the new tailings dam had been granted by the Department of Water Affairs and construction of the new tailings dam has subsequently commenced. The construction timeline has been reassessed and ramp up to full design capacity is expected to start in Q3 FY'11.

Although operations at the Lannex plant are still at reduced capacity, a total of 1,067 ounces was produced during the quarter to 30 September 2010 at a cost of R5,961/oz (US\$836/oz). Recoveries improved by 6% due to circuit changes and operational stability.

The bead mill is scheduled to be commissioned during the following quarter which will increase PGM recovery.

Mooinooi

The Mooinooi operation produced 1,481 ounces for the quarter to 30 September 2010, a 96 ounce increase on the previous quarter. The increased PGM production can be attributed to improved PGM plant availability, increased tons to the PGM plant and high head grades from MG2 ROM ore. The costs remained high at R4,659/oz (US\$653/oz) due to the additional operating costs incurred in implementing the necessary changes to the plant in order to accommodate current risings, tailings and ROM subsequent to the commissioning of the ROM section. The costs are expected to reduce in the forthcoming quarters as the benefit of improved milling efficiency becomes evident.

Test work on the MG2 ROM is currently being done to identify methods of further improving recoveries.

Doornbosch

The Doornbosch plant completed its commissioning phase during the quarter to 30 September 2010 and produced 1,083 ounces for the quarter. The overall recovery was 69%, which is significantly higher than expected. The favourable recoveries are due mainly to the rougher tails being recycled to increase overall residence time.

The Doornbosch plant has a design capacity of 20,000 tons per month, however due to the limitations of the Doornbosch underground mine which feeds the Doornbosch PGM plant the maximum current rising expected during the next quarter has been estimated at 7,000 tons per month. Despite this, PGM ounce production is expected to improve.

Tweefontein

Planning of the equipment configurations and processing options for the Tweefontein plant are still in progress.



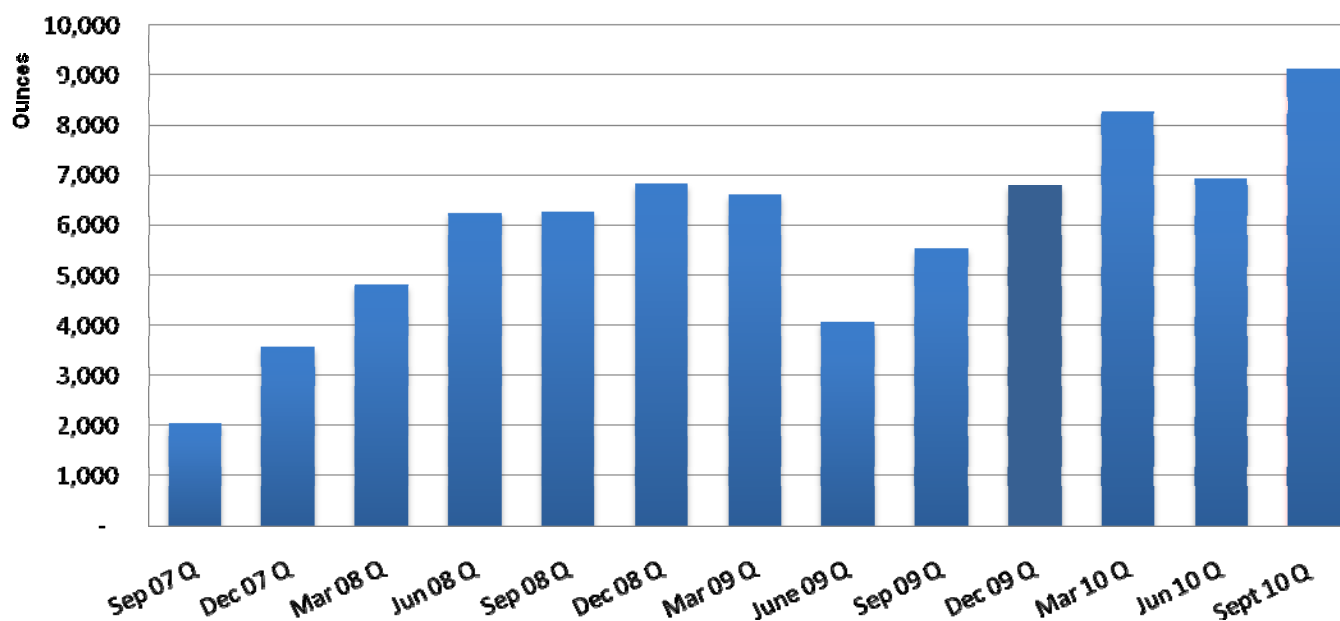
B. CTRP (Sylvania 25% attributable, managed by Aquarius Platinum)

The CTRP production increased from 326 ounces to 367 ounces, a 13% increase on the previous quarter. Higher densities entering the floatation plant improved recoveries significantly.

CTRP (25%): Statistical Information

* Unaudited	Unit	June 2010 Quarter	Sep 2010 Quarter	+ - % Quarter on Quarter	2011 Financial YTD
Revenue					
Revenue	R'000	2,359	2,451	4%	2,451
Basket Price	US\$/oz	1,510	1,426	-6%	1,426
Ave R/US\$ rate	R/US\$	7.50	7.34	-2%	7.34
Site Cash Cost					
Per ROM ton	R/t	103	193	87%	193
Per ROM ton	US\$/t	14	26	86%	26
Per PGM oz	R/oz	5,927	5,504	-7%	5,504
Per PGM oz	US\$/oz	789	750	-5%	750
Production					
Plant Feed Tons	t	18,711	10,470	-44%	10,470
Grade	g/t	2.50	2.72	9%	2.72
Recovery	%	27%	40%	48%	40%
Total 3E and Au	Oz	326	367	13%	367

Sylvania Resources Quarterly production of 3E+Au (ounces)



The above graph includes 25% of CTRP's production



C. NORTHERN LIMB OPERATIONS

Volspruit Project

The Volspruit Project (formerly Grass Valley) is located at the Southern end of the Northern Limb of the Bushveld Igneous Complex in South Africa.

On 29 September 2010, Sylvania announced that a JORC compliant resource has been declared for the Volspruit project. The results of the metallurgical test work performed on the northern ore body were also announced, indicating a 75% recovery in a floatation concentrate grading 50g/t. The concentrate produced from the metallurgical test work is undergoing smelting trials which have shown positive results.

Total mineral resources for the northern pit area of the Volspruit project								
	Million tonnes	Density	3e g/t	Ni ppm	Cu ppm	3e ounces	Ni (million) lbs	Cu (million) lbs
Measured	28.47	2.97	1.26	1,399	407	1,150	87.8	25.6
Indicated	16.63	2.99	1.16	1,499	384	620,209	55	14
Inferred	0.76	2.95	0.95	1,769	319	23,213	2.9	0.5

Reappraisal of the southern ore body is scheduled to commence in the next quarter.

Sylvania has appointed independent contractors to carry out the engineering design work required in order to perform the feasibility study. Preparation work has been initiated in order to allow the application for the mining right on the Volspruit project to be submitted by February 2011.

Northern Platreef Project

The Northern platreef project is currently evaluating mineralisation at ten farms on the Northern Limb of the Bushveld Igneous Complex. To date 41,301m of exploration drilling has been completed and the results sent for review.

The external consultants have modelled the ore body across all the properties which have indicated several "hot spots" for further exploration. A drilling program has been designed to generate the information necessary to upgrade the exploration targets and drilling is expected to recommence in early 2011.

D. SYLVANIA GROUP

Consolidation of SDO through share exchange agreement (BEE Transaction update)

During the quarter Ehlobo Metals (Pty) Ltd ("Ehlobo") informed Sylvania of their intent to sell their 26% shareholding in Sylvania Metals (Pty) Ltd ("Sylvania Metals") to Africa Asia Capital Limited ("AACL").

On 29 September 2010 Sylvania announced that it had entered into a share exchange agreement with AACL, whereby AACL would acquire the 26% shareholding in Sylvania Metals held by Ehlobo Metals (Pty) Ltd and then exchange these shares for a 19.5% shareholding in Sylvania. AACL is a subsidiary of International Mineral Resources BV ("IMR"), who is the majority shareholder of Samancor Chrome Limited ("Samancor").

In terms of the original Service and Supply Agreement ("S&SA") with Samancor, Sylvania Metals was required to have a 26% black economic empowerment ("BEE") shareholder. Samancor has waived this requirement, allowing Sylvania to obtain 100% ownership of SDO.

The share exchange agreement is subject to shareholder approval and if applicable, approval in terms of the Foreign Acquisitions and Takeovers Act 1975 (Cth). An immediate issue of 7,711,888 shares was made to AACL on 30 September 2010.



The remaining 51,170,663 shares will be issued upon shareholder approval of the transaction. The shareholders' meeting to approve this transaction has been scheduled for 23 November 2010 and if approval is obtained the transaction will be completed shortly thereafter.

If shareholder approval is not obtained for the issue of the remaining shares, Sylvania will settle the transaction in cash equal to the value of the shares by means of either one lump sum payment or equal instalments over a 13 month period. Payment can also be made through a combination of shares and cash should Sylvania not be able to issue all the required shares.

With the exception of the initial 7,711,888 shares, AACL has agreed that it will not dispose of any Sylvania shares within 12 months of the date of issue, unless Sylvania agrees.

Vygenhoek Mining Application (Everest North)

The principles around a method to jointly exploit this resource have been determined and final agreements are being concluded that will ensure a favourable outcome for both Sylvania and Aquarius Platinum SA (Pty) Ltd. The arbitration previously announced has been suspended pending the successful outcome of these negotiations.

Jubilee/Sylvania Alliance

The framework agreement between Sylvania and Jubilee Platinum Plc ("Jubilee") relating to the ConRoast process is currently being expanded and a joint announcement detailing the transaction agreements is expected to be made early in 2011.

Termination settlement of SA Metals Royalty Agreement

The issue of 3 million Sylvania shares to Minex Projects (Pty) Ltd ("Minex") in final settlement of the termination of the Royalty Agreement with SA Metals Limited is still pending South African Reserve Bank ("SARB") approval. Upon receipt of the SARB approval by Minex, Sylvania will issue the shares in tranches of 500,000 bi-annually.



CORPORATE INFORMATION

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Sylvania Website: www.sylvaniaresources.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 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, 30/9/2001, 01/06/10.

Name of entity

SYLVANIA RESOURCES LIMITED

ABN

091 415 968

Quarter ended ("current quarter")

30 September 2010

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (3 months) \$A'000
1.1	Receipts from product sales and related debtors	11,596	11,596
1.2	Payments for		
	(a) exploration & evaluation	(377)	(377)
	(b) development	(1,568)	(1,568)
	(c) production	(4,700)	(4,700)
	(d) administration	(5,252)	(5,252)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	292	292
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other (provide details if material)	(391)	(391)
	Net Operating Cash Flows	(400)	(400)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects		
	(b) equity investments		
	(c) other fixed assets	(10)	(10)
1.9	Proceeds from sale of:		
	(a) prospects		
	(b) equity investments		
	(c) other fixed assets	3	3
1.10	Loans to other entities	(6)	(6)
1.11	Loans repaid by other entities	9	9
1.12	Other (provide details if material)		
	Net investing cash flows	(4)	(4)
1.13	Total operating and investing cash flows (carried forward)	(404)	(404)



1.13	Total operating and investing cash flows (brought forward)	(404)	(404)
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	(98)	(98)
1.18	Dividends paid		
1.19	Other (provide details if material)	(13)	(13)
	Net financing cash flows	(111)	(111)
	Net increase (decrease) in cash held	(515)	(515)
1.20	Cash at beginning of quarter/year to date	23,539	23,539
1.21	Exchange rate adjustments to item 1.20	(8)	(8)
1.22	Cash at end of quarter	23,016	23,016

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	306
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	2,623
4.2 Development	2,363
4.3 Production	6,315
4.4 Administration	4,394
Total	15,695

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	7,408	6,728
5.2 Deposits at call	15,608	16,811
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	23,016	23,539

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			



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) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference +securities <i>(description)</i>			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			
7.3	+Ordinary securities	250,791,142	250,791,142	N/A
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	7,711,888	7,711,888	N/A
7.5	+Convertible debt securities <i>(description)</i>			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted			
7.7	Options <i>(description and conversion factor)</i>		<i>Exercise price</i>	<i>Expiry date</i>
		359,909	Nil	\$1.40
		400,000	Nil	\$2.89
		600,000	Nil	\$2.67
		5,633,000	Nil	\$1.63
		6,000,000	Nil	\$1.05
7.8	Issued during quarter			
7.9	Exercised during quarter			
7.10	Expired during quarter			
7.11	Debentures <i>(totals only)</i>			
7.12	Unsecured notes <i>(totals only)</i>			



Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act 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:.....
(Director/Company secretary)

Date: 29 October 2010

Print name: Louis Carroll
Financial Director

Notes

- 1 The 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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