

("Sylvania" or "the Company")  
ASX / AIM (SLV)  
A.C.N. 091 415 968  
Issued shares: 243,079,254

July 2010

## Quarterly Report 30 June 2010

### HIGHLIGHTS

- **Doornbosch plant commissioned under budget**
  - **First production is expected from July 2010**
- **Volspruit metallurgical test work and geological modelling results expected shortly**
- **Nigel Trevarthen joins Sylvania as new Deputy Chief Executive Officer**

### OVERVIEW

Overall PGM production decreased during the current quarter by 16% due mainly to the temporary suspension of operations at Lannex which more than offset the impact of increased production at Mooinooi. Strong production growth is expected in the next quarter with the Mooinooi run of mine ("ROM") section having been commissioned in June and the Doornbosch plant making its first contribution to production in July. The start up of operations at Lannex at reduced capacity will further add to production ahead of the restart of full production following the construction of a new tailings dam. As a result of these developments, management is targeting production of 8,000 ounces PGM 3E and Au in the quarter to 30 September 2010.

Revenue of R60.4 million was 8% lower than the previous quarter with reduced production being offset by a weakening of the Rand against the US dollar. Average cost per PGE ounce produced was abnormally high due to reduced ounces divided by the costs of five plants where only two plants were producing in addition to the impact of a payment of accrued electricity arrears charges at Millsell. When all five plants are producing management is confident that the cost per ounce will be considerably lower. The Company has R154 million (A\$24 million) cash available at the end of the current quarter.

The Volspruit (formerly Grass Valley) project is progressing as planned and independent verification of the resource is expected shortly.

Sylvania was pleased to announce that Nigel Trevarthen would be joining the Company in September 2010. Mr Trevarthen is highly respected in the mining industry and the Directors are confident that Sylvania will benefit greatly from his knowledge and experience.

* Unaudited - Group	Unit	Previous Quarter Mar 2010	Current Quarter June 2010	% Change
<b><u>Financials</u></b>				
Revenue	R'000	65,842	60,375	-8%
Ave R/US\$ rate	R/US\$	7.42	7.58	2%
<b><u>Production</u></b>				
PGM Plant Feed Tons	t	142,674	117,703	-18%
PGM 3E and Au	Oz	8,294	6,937	-16%

## A. SYLVANIA DUMP OPERATIONS

### Health, safety and environment

During the current quarter Sylvania Dump Operations had no significant incidents or accidents. The accident frequency rate showed a steady decrease during the quarter. Sylvania remains committed to reducing the accident frequency rate to zero through continued education and improving safety procedures, achieving the highest possible standards. There were no reportable environmental incidents during the June quarter.

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

* Unaudited	Unit	Previous Quarter Mar 2010	Current Quarter June 2010	+ - % Quarter on Quarter	YTD 12 Months to June 2010
<b><u>Revenue</u></b>					
Revenue	R'000	62,689	58,016	-7%	198,594
Gross Basket Price	US\$/oz	1,411	1,400	-1%	1,393
Net Basket Price	US\$/oz	1,031	1,033	-	1,015
Gross Cash Margin - SDO	%	49%	40%	-18%	43%
Capital Expenditure	R'000	18,769	21,901	17%	123,836
Ave R/US\$ rate	R/US\$	7.42	7.58	2%	7.55
EBITDA	R'000	30,083	22,712	-25%	83,865
<b><u>SDO Cash Cost</u></b>					
Per PGM Feed ton	R/t	263	357	36%	284
Per PGM Feed ton	US\$/t	35	47	34%	38
Per 3E & Au oz	R/oz	4,073	5,340	31%	4,407
Per 3E & Au oz	US\$/oz	549	704	28%	584
<b><u>Production</u></b>					
Plant Feed	t	270,711	219,120	-19%	907,032
Feed Head Grade	g/t	2.52	2.73	8%	2.52
PGM Plant Feed Tons	t	123,706	98,992	-20%	403,285
PGM Plant Grade	g/t	4.88	5.22	7%	5.02
PGM Plant Recovery	%	41.1%	39.7%	-3%	39.9%
Total 3E and Au	Oz	7,977	6,611	-17%	25,997



## **Millsell**

The Millsell operation produced 2,340 ounces from 31,513 PGM feed tonnes. Costs incurred in the current quarter increased from R2,099/oz (US\$282/oz) to R3,997/oz (US\$527/oz) as a result of additional arrears electricity charges of R4.3 million. The head grade decreased from 2.72g/t to 2.46g/t for the quarter, with an average recovery of 42%. Overall the Millsell operation remains stable with a float plant uptime of 96%.

Millsell has focused mainly on improving floatation recoveries during the current quarter. The construction of the tailings dam was completed and commissioned during the current quarter in order to accommodate future tailings.

## **Steelpoort**

The Steelpoort operation produced 2,876 ounces for the current quarter; a 476 ounce decrease on the previous quarter. The lower ounces are a result of lower grade material currently being obtained from the remined dam which contains highly oxidised material. A total of 27,720 PGM feed tonnes were processed with an average head grade of 3.54g/t. Recoveries remained constant at 51% and the float plant uptime increased to 97%. Cost per ounce increased marginally from R2,356/oz (US\$318/oz) to R2,383/oz (US\$314/oz).

## **Lannex**

Sylvania is still awaiting approval from the Department of Water Affairs for the new water license required in order to construct the new tailings dam at the Lannex operation. Operations at the Lannex plant were suspended during the previous quarter due to the limitations of the existing tailings dam. The new tailings dam will be constructed and commissioned within approximately three months of obtaining the water license. Once the new tailings dam has been constructed, Lannex will be able to operate at design capacity.

An underground backfill project has commenced allowing production at the Lannex plant to restart at a reduced capacity. The project aims to deposit 25,000 tonnes of course tailings underground, over a six month period and is estimated to cost R4 million.

## **Mooinooi**

The Mooinooi operation produced 1,385 ounces for the current quarter, a 582 ounce increase on the previous quarter. The head grade improved significantly from the previous quarter increasing from 1.65g/t to 2.48g/t. The low PGM-grade from the outer walls of the MG1/2 tailings is however still affecting production, resulting in lower than estimated recoveries. Operating costs for the current quarter showed a small improvement on the previous quarter decreasing from R4,749/oz (US\$640/oz) to R4,357/oz (US\$574/oz).

The ball mill was re-started at the end of May 2010, after its failure in February 2010 shortly after having been commissioned. This should help improve recoveries in the long-term. The ROM section was commissioned in June 2010 and management is confident that the ROM material will improve recovery and grade. The acquisition of the Mooinooi tailings dam and the ROM project should increase the life of the Mooinooi operation substantially.

## **Doornbosch**

The Doornbosch plant is the fifth of the Sylvania plants to be constructed and was commissioned at the end of June 2010 at a capital cost of R97 million. Saleable concentrate is expected to be produced early next quarter with the plant building up to a steady production of 670 ounces per month.

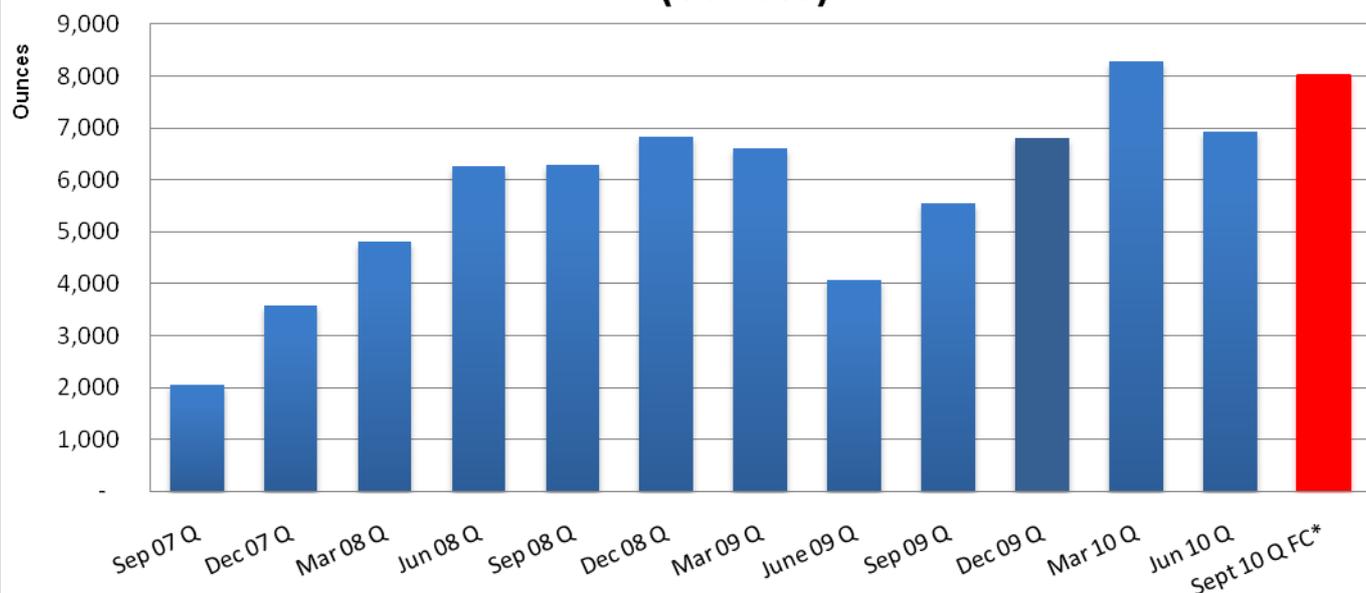
The Doornbosch underground mine which feeds the Doornbosch PGM plant together with ore from the opencast mine, is still in the development stages which has resulted in a head grade of only 2.9g/t. To ensure that the plant achieves its design capacity of 20,000 tonnes of PGM feed per month, arrangements are being made for fines from the Tweefontein mine and dumps to be temporarily treated at the Doornbosch plant. This will increase PGM production at Doornbosch to an estimated 1,000 ounces per month.

## **Tweefontein**

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



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



\* Management target

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

CTRP saw a slight increase in ounce production from 317 ounces in the previous quarter to 326 ounces. This is still below target of 694 ounces. The poor recoveries at CTRP are due mainly to the plant being unstable as a result of frequent stoppages.

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

* Unaudited	Unit	Previous Quarter Mar 2010	Current Quarter June 2010	+ - % Quarter on Quarter	YTD 12 Months to June 2010
<b>Revenue</b>					
Revenue	R'000	3,153	2,359	-25%	12,441
Basket Price	US\$/oz	1,456	1,510	4%	1,301
Ave R/US\$ rate	R/US\$	7.47	7.51	1%	7.58
<b>Site Cash Cost</b>					
Per ROM ton	R/t	75	103	37%	86
Per ROM ton	US\$/t	10	14	40%	11
Per PGM oz	R/oz	4,478	5,927	32%	3,951
Per PGM oz	US\$/oz	597	789	32%	521
<b>Production</b>					
Plant Feed Tons	t	18,968	18,711	-1%	73,192
Grade	g/t	2.06	2.50	21%	2.28
Recovery	%	25%	27%	8%	31%
Total 3E and Au	Oz	317	326	3%	1,599



## C. NORTHERN LIMB OPERATIONS

### Volspruit Project

The Volspruit Project (formerly Grass Valley) is located on the farms Volspruit 326KR and a portion of the farm Zoetveld 294KR.

The two discontinuous ore bodies on the properties, which are known as the northern and southern orebodies are in fact the same orebody separated by faulting. Sylvania plans to construct three 100,000 tonne per month feed plants on the properties with the first plant being adjacent to the northern orebody.

Flotation and smelting testwork on the 5,000 tonne bulk sample is complete as is a geological reappraisal of the orebody model. External independent verification of all work is underway and Sylvania expects that this work will result in the announcement of a measured resource on the northern orebody shortly.

Once the work on the northern orebody is complete the southern orebody will be subject to a geological reappraisal to determine a measured resource on it.

### Hacra Project

The Hacra project comprises three farms on the Northern Limb of the Bushveld Igneous Complex, namely, Harriet's Wish 393LR, Aurora 397LR and Cracouw 391LR.

A geological model has been constructed from the 5 new holes that were drilled covering 868.5 meters as well as the historical boreholes. External consultants have been engaged to conduct an independent review of the geological model prior to designing further exploration for ore resource definition.

### Aurora Project

The Aurora project area comprises seven farms to the immediate south of and adjoining Hacra, namely, Kransplaats 422LR, Nonnenwerth 421LR, La Pucella 693LR, Altona 696LR, Non Plus Ultra 683LR, Schaffhausen 689LR and Luge 697LR.

Detailed re-logging of selected borehole core, interpretation of the stratigraphy and stratigraphic review logging of all boreholes has been completed and a geological model has been constructed. Management has commissioned an external independent review of the geological model to determine the most appropriate position and exploration program to optimally locate 100,000 tonne per month feed plants.

## D. SYLVANIA GROUP

### Black Economic Empowerment Transaction update

Negotiations with new BEE partners to potentially replace Ehlobo have not been finalised and are ongoing.

### Vygenhoek Mining Application (Everest North)

The arbitration hearing that was set for July 2010 has been postponed "sine die" (for an indefinite period) as significant progress has been made to reach a commercial settlement that will result in a favourable situation for Sylvania and Aquarius Platinum SA (Pty) Ltd. If the settlement agreement is not brought to finality the matter will then be heard by the Arbitrator on a date to be arranged.

### Jubilee/Sylvania Alliance

Jubilee and Sylvania are meeting on a regular basis to finalise the models for the refining and smelting of the platinum ore mined on the Northern Limb using the ConRoast technology in line with the provisions of the Framework Agreement entered into in February 2010.

### SA Metals Royalty Agreement

In December 2009, Sylvania successfully negotiated the cancellation of a 3% fee Agreement which Minex Projects (Pty) Ltd ("Minex") held with SA Metals Limited ("SA Metals") (formerly Pan Palladium Limited).



A new agreement was signed, whereby Minex would be paid R5 million and receive 3 million Sylvania shares on condition that Sylvania conducted metallurgical test work on the relevant properties to its reasonable satisfaction by 30 June 2010.

The outstanding R4 million has now been settled, however the shares have not yet been issued. The issue of the 3 million Sylvania shares, which will be issued in tranches of 500,000 on a six monthly basis, is pending receipt of South African Reserve Bank approval by Minex.

### Appointment of new Deputy CEO

On 30 June 2010, Nigel Trevarthen was announced as the new Deputy Chief Executive Officer of Sylvania. Nigel will be joining the Company on 1 September 2010 and his main focus will be on operations in South Africa. Terry McConnachie, Sylvania's current Managing Director will become the Company's Chief Executive Officer.

Mr Trevarthen is a graduate of the London School of Mining where he obtained a Bachelor of Science in Mining Engineering. He joined the Anglo Group after completing his studies and has gained a wealth of knowledge and experience managing various mining operations in Africa. Mr Trevarthen also assisted the Chamber of Mines in South Africa in drafting the mining legislation and he was elected President of the Mine Managers Association in 2001.

## CORPORATE INFORMATION

**Registered office:** Sylvania Resources Limited  
Unit 2, Level 1  
Churchill Court  
331 – 335 Hay Street  
Subiaco WA 6008  
Australia  
(+61 8) 9226 4777

**Postal address:** PO Box 524  
Wembley WA 6913  
Australia

## CONTACT DETAILS

<b>South Africa:</b>	Terry McConnachie (Managing Director) Sylvania Resources Limited (+27 11) 673 1171	Louis Carroll (CFO/Joint Company Secretary) Sylvania Resources Limited (+27 11) 673 1171
----------------------	---	---

<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/Richard Greenfield Ambrian Partners Limited (+44 20) 7634 4700	Laurence Read Threadneedle Communications (+44 20) 7653 9855
------------------------	--	--

**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 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 June 2010

### Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (12 months) \$A'000
<b>Cash flows related to operating activities</b>			
1.1	Receipts from product sales and related debtors	11,557	32,049
1.2	Payments for		
	(a) exploration & evaluation	(5)	(711)
	(b) development	(5,791)	(27,992)
	(c) production	(4,007)	(16,004)
	(d) administration	(2,792)	(13,565)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	295	758
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		(742)
1.7	Other (provide details if material)	(76)	709
	<b>Net Operating Cash Flows</b>	<b>(819)</b>	<b>(25,498)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of:		
	(a) prospects		
	(b) equity investments	(2)	(125)
	(c) other fixed assets		
1.9	Proceeds from sale of:		
	(a) prospects		
	(b) equity investments	18	18
	(c) other fixed assets		
1.10	Loans to other entities	16	8
1.11	Loans repaid by other entities	23	(326)
1.12	Other (provide details if material)		
	<b>Net investing cash flows</b>	<b>55</b>	<b>(425)</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(764)</b>	<b>(25,923)</b>



1.13	Total operating and investing cash flows (brought forward)	(764)	(25,923)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	95	18,764
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	125	483
1.17	Repayment of borrowings	(8)	(32)
1.18	Dividends paid		
1.19	Other (provide details if material)		(1,166)
	<b>Net financing cash flows</b>	212	18,049
	<b>Net increase (decrease) in cash held</b>	(552)	(7,874)
1.20	Cash at beginning of quarter/year to date	23,863	32,278
1.21	Exchange rate adjustments to item 1.20	228	(865)
1.22	<b>Cash at end of quarter</b>	23,539	23,539

### 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	487
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	3,229
4.2 Development	2,019
4.3 Production	6,409
4.4 Administration	1,230
<b>Total</b>	<b>12,887</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	6,728	12,653
5.2 Deposits at call	16,811	11,209
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>23,539</b>	<b>23,862</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			



## 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	<b>Preference +securities</b> <i>(description)</i>			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			
7.3	<b>+Ordinary securities</b>	243,079,254	243,079,254	N/A
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs			
7.5	<b>+Convertible debt securities</b> <i>(description)</i>			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted			
7.7	<b>Options</b> <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	600,000	Nil	\$0.75
		457,435	Nil	\$1.40
7.11	<b>Debentures</b> <i>(totals only)</i>			
7.12	<b>Unsecured notes</b> <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: 30 July 2010

Print name: Louis Carroll  
Chief Financial Officer

### 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.

== == == == ==

