



I n t e r i m   R e p o r t

# **Sylvania Resources Limited**

**ABN 80 091 415 968**

Interim report  
for the half year ended  
31 December 2007

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## **Corporate Information**

### **Directors**

Terence M McConnachie  
Richard D Rossiter  
Dr Evan Kirby  
Louis M Carroll  
Alistair P Ruiters

### **Company Secretary**

Michael J Langoulant

### **Registered office and principal place of business**

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West Perth, Western Australia 6005 Australia

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Facsimile: (08) 9324 2977  
Website: [www.sylvaniareources.com](http://www.sylvaniareources.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 Georges 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 2007.

### Directors

The following persons were directors of the Company during the whole of the half year and up to the date of this report:

Terence M McConnachie – *Chief Executive Officer*  
 Dr Evan Kirby – *Chief Operating Officer*

Richard D Rossiter, Louis M Carroll and Alistair P Ruiters were appointed as directors on 15 August 2007 and continue in office at the date of this report. Edward F G Nealon, Melissa J Sturgess Smith and Kevin S Huntly were directors from the beginning of the financial year until their resignations on 15 August 2007.

### Review of operations

The consolidated profit of the group after provision for income tax expense was \$1,435,937 (2006: \$6,563,301 loss). Unless otherwise stated, the financial information contained in this report is presented in Australian dollars.

### South African Operations

#### Overview

The total attributable production of 4E PGM ounces and metallurgical grade chromite concentrates from Sylvania's dump re-treatment projects for the last three half yearly periods are tabulated below.

Dump retreatment operation	Half yearly production 4E PGM ounces (attributable) in flotation concentrate		
	Period ending Dec 2007	Period ending June 2007	Period ending December 2006
CTRP	1,374	957	894
Millsell	2,151	nil	nil
Steelpoort	2,096	nil	nil
<b>Total 4E PGM oz</b>	<b>5,621</b>	<b>957</b>	<b>894</b>
	Half yearly production of 44% Cr <sub>2</sub> O <sub>3</sub> chromite concentrate (tonnes)		
Millsell	53,378	34,693	9,160
Steelpoort	17,074	nil	nil
<b>Total tons chromite concentrate</b>	<b>70,452</b>	<b>34,693</b>	<b>9,160</b>

## Directors' Report (continued)

### Overview (continued)

The growth in production clearly demonstrates a successful start to the implementation of Sylvania's development strategy. Total production was 5,621 4E PGM ounces and 70,452 tonnes of chromite concentrate for the half year ended 31 December 2007.

In common with the rest of the South African platinum industry, Sylvania faces ongoing issues with electrical power supply. Plant operations have been disturbed by planned and unplanned 'load shedding' activities by the State utility, Eskom. On the positive side, Sylvania's operations use relatively little power and are significantly less affected by power cuts than is the case for underground mining operations.

### Millsell and Steelpoort

PGM production began at the Millsell and Steelpoort plants during the half year ended 31 December 2007. By the end of the period both plants were running well and ramping up to design PGM production levels in line with management's internal targets. Production of metallurgical grade (44% Cr<sub>2</sub>O<sub>3</sub>) chromite concentrates has consistently exceeded budget levels over the half year.

Turnover for half year ended 31 December 2007 increased by 277% to SAR53.8 million compared with the half year ended 30 June 2007. This was largely due to the start of PGM recovery. Cash costs and cash margins for the period are tabulated below.

Operating details	Cash costs (after chrome credits) and margins		
	Millsell	Steelpoort	CTRP
Production 4E PGM oz	2,151	2,096	1,374
Basket price USD/oz	2,002	2,002	1,861
Cash costs USD/oz	591	489	286
Cash margin %	57%	66%	81%

Costs at both Millsell and Steelpoort were abnormally high due to rehabilitation provisions for the half year and higher than normal chrome penalties associated with high chrome levels in concentrate during early operations. The basket price shown is taken from Sylvania data using an exchange rate of SAR6.93 to USD1.00.

At full design throughput and budgeted recovery levels, Millsell and Steelpoort are scheduled to produce 690 and 1,079 ounces of 4E PGM per month respectively. Combined production at this level will deliver 10,614 ounces over a six-month period. As production at Millsell and Steelpoort ramps up, cash costs are expected to reduce. Steelpoort has a higher headgrade than Millsell and this will be reflected in lower costs and higher margins than at Millsell. Barring any external factors such as a deteriorating power supply situation, the directors are confident that full, scheduled production rates will be achieved before the end of the first half of 2008.

## **Directors' Report (continued)**

### **Process improvement projects at Millsell and Steelpoort**

Process improvement projects (PIPs), with a projected capital cost of about R30 million, are under way at Millsell and Steelpoort. The main objective of the changes is increased production in terms of total ounces of PGMs contained in concentrate.

The addition of bead mills and extra cleaner flotation cells will boost the performance of the PGM recovery plants in terms of both PGM recovery and concentrate grade. Decreased smelting costs and the minimization of chrome penalties will further improve profitability. The installation of automatic samplers and flow measuring instrumentation will improve process management and metal accounting. Minor additions to plant infrastructure will help maximize plant availability and minimize maintenance downtime.

The installations at Millsell and Steelpoort will be virtually identical. The payback time of these PIPs is anticipated by the directors to be less than six months based on PGM production improvements of 10-15%.

### **Plants 3 and 4 at Lannex and Elandsdrift**

Construction of the Lannex plant is progressing and all long lead-time equipment items have been ordered. With a capacity of 70,000m<sup>3</sup>/t feed per month, the Lannex plant will have double the throughput of the Millsell or Steelpoort plants. The recent decision to increase capacity has delayed the start-up date of this plant is now forecast to be commissioned in the second half of calendar year 2008.

As previously reported, construction of the Elandsdrift plant started but was then put on hold until the Steelpoort and Lannex plant are completed. Construction of the Elandsdrift plant is expected to begin again towards the end of calendar year 2008.

### **Chrome Tailings Retreatment Project (CTRP)**

The Chrome Tailings Retreatment Project (CTRP) – 25% owned by Sylvania South Africa (Pty) Ltd, a wholly owned subsidiary of the Company recorded a 43% improvement in attributable PGM production compared with the preceding six-month period. This was largely due to the implementation of bead milling ahead of flotation.

### **Everest North**

The drilling programme on the farm Vygenhoek 10 JT on the eastern limb of the Bushveld Igneous Complex was completed on 8 September 2007. The existing geological model has been fully updated following the receipt of all outstanding data and the processing of the QAQC data. The modelling has allowed for the estimation of a measured resource on the UG reef which occurs on the Vygenhoek property.

### **Directors' Report (continued)**

The measured resource, as determined by the consulting geologists, Rock and Stock Investments, is tabulated below.

Area(sq metres)	Channel width (m)	Specific gravity (t/m3)	Tons	Grade 4E	Ounces
799,578	1.719	3.700	5,078,684	4.735	773,147

The Environmental Impact Assessment ("EIA") study is progressing well, the National Environmental Management Authority having given its approval for the EIA process on Vygenhoek. Work on the mining right application is nearing finalisation with the completion of the Mine Works Programme ("MWP") and the Social and Labour Development plan.

Following discussions between Aquarius Platinum (South Africa) ("AQPSA") and Sylvania, it has been agreed that the companies will jointly investigate an equitable Joint Venture arrangement whereby Sylvania proposes, where permissible, to recover chrome and PGMs from the tailings streams of AQPSA's operations. If an equitable solution can be agreed, Sylvania will elect not to exercise its option to purchase the Everest North project and will return the deposit to AQPSA. Negotiations between Sylvania and AQPSA are still at an early stage.

#### **Great Australian Resources Limited**

An announcement on 5 September 2007 was made by the Company that it was to acquire an interest in Great Australian Resources Limited ("GAU"). The transaction was approved by GAU shareholders on 30 November 2007 whereby Sylvania acquired 16.57% of GAU for a consideration of AUD3,942,000.

Sylvania remains a focused tailings re-treatment company. However it is also aligning itself with companies which have potential hard rock near-surface platinum resources as demonstrated by the acquisition of the interest in GAU, GAU's main platinum project, the Mooiplats Project occurs in the Phosiri dome area. To date, 11 boreholes with 24 deflections have indicated a potential, at between 100-700m below surface, of 74.2 million tons of Merensky Reef at a grade of 4.2g/t (4E).

#### **Acquisition of Harriet's Wish, Cracouw and Aurora from Rustenburg Platinum Mines Ltd**

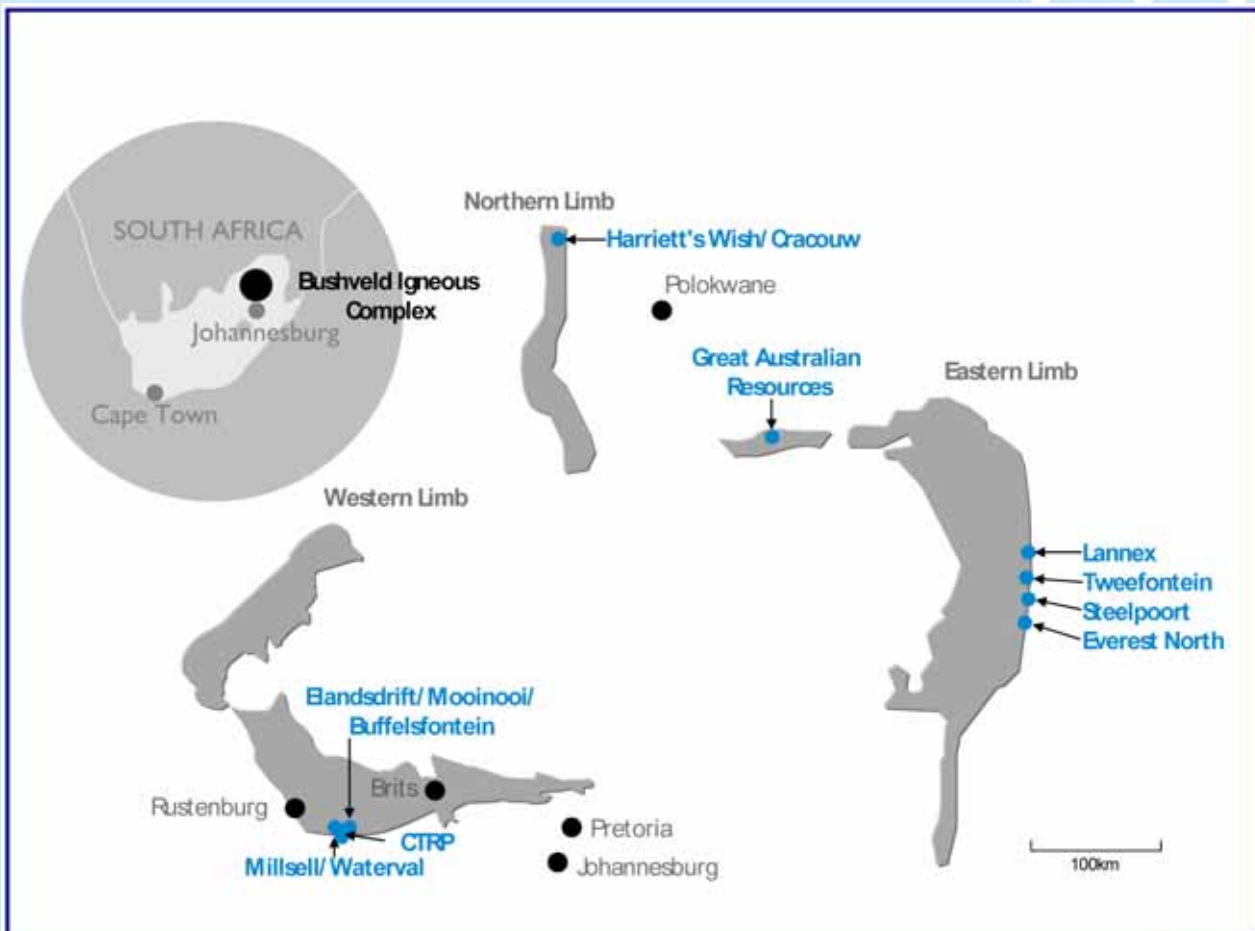
Subsequent to the end of the half year, on 31 January 2008, Sylvania and Rustenburg Platinum Mines Ltd ("RPM"), a subsidiary of Anglo Platinum Ltd, announced that they have reached agreement on the sale from RPM to Sylvania of a new order prospecting right on the farm Aurora 397LR, and a half share in the new order prospecting right on the farms Harriet's Wish 393 LR and Cracouw 391 LR at a price of SAR2 million, exclusive of VAT. The conclusion of the sale agreement is subject to the approval of the Minister of Minerals and Energy, in terms of Section 11 of the Mineral and Petroleum Resources Development Act 28 of 2002.

Directors' Report (continued)

**Acquisition of Harriet's Wish, Cracouw and Aurora from Rustenburg Platinum Mines Ltd (continued)**

The other half share of the new order prospecting right, on the farms Harriet's Wish 393 LR and Cracouw 391 LR, is held by a BEE company, Sika Bopha Trading (Pty) Ltd. Sylvania has paid the full purchase price into an Attorneys Trust Account, which shall be payable to RPM upon Ministerial approval. The agreement between Sylvania and RPM specifies that RPM has the right of first refusal to any concentrate or further refined product produced from the properties. RPM has made all of its geological information on the properties available to Sylvania and Sylvania's technical staff is conducting a review of this information.

Sylvania has assumed, as a contractor to RPM, the responsibility of fulfilling RPM's exploration obligations on the properties until such time as the Section 11 approval is obtained, following which Sylvania will continue with its own exploration programme. The properties occur at the northern end of the so-called Northern Limb of the Bushveld Complex. The Plat Reef, which is mined for PGMs and base metals, occurs on this Northern Limb and satellite imaging has shown that the Plat Reef occurs on Harriet's Wish 393 LR. Sylvania believes there is a potential target of some 900,000 3E PGM ounces, with associated base metals.



## **Directors' Report (continued)**

### **Outlook**

Our view is that the market outlook for our basket of PGM products remains robust. This, together with our strengthening production profile and growth prospects in respect of both surface and near-surface resources, augurs well for us. We continue to believe that, with more rigorous regulation of the resources sector particularly in respect of safety and environmental matters our relatively low risk profile increases our attractiveness to the resource investor.

### **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 9 and forms part of the director's report for the half year ended 31 December 2007.

This report is signed in accordance with a resolution of directors made pursuant to section 306(3) of the Corporations Act 2001.



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**T M McConnachie**  
**Chief Executive Officer**

**Perth**  
**12 March 2008**

The technical exploration and mining information contained in this report was compiled by Mr Ed Nealon, a former Sylvania Resources Ltd 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.

As lead auditor for the review of the financial report of Sylvania Resources Limited for the half-year ended 31 December 2007, 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**  
**12 March 2008**



**W M CLARK**  
**Partner, HLB Mann Judd**

**Condensed Income Statement**  
**For the half year ended 31 December 2007**

	Notes	<b>Consolidated</b>	
		<b>Half year ended</b>	
		<b>31 December</b>	
		<b>2007</b>	<b>2006</b>
		<b>\$</b>	<b>\$</b>
Revenue		7,059,531	82,696
Other income		1,478,298	506,013
Share of net profits of jointly controlled entity accounted for using the equity method		2,171,832	1,116,845
		<hr/>	<hr/>
		10,709,661	1,705,554
Change in inventories of work-in-progress, raw materials and consumables used		416,570	(331,960)
Raw materials and consumables used		(3,050,531)	-
Consulting fees		(535,740)	(598,365)
Depreciation		(1,381,926)	(31,990)
Finance costs		(3,915)	(34,596)
Foreign exchange gain/(loss)		(1,260,863)	255,809
Project generation costs		-	(5,546,000)
Share based payment expense		(245,199)	(412,564)
Other expenses		(2,425,631)	(1,726,398)
		<hr/>	<hr/>
<b>Profit / (loss) before income tax benefit</b>	3	2,222,426	(6,720,510)
Income tax (expense) / benefit		(786,489)	157,209
		<hr/>	<hr/>
<b>Profit / (loss) after income tax benefit from continuing operations</b>		1,435,937	(6,563,301)
		<hr/>	<hr/>
<b>Net profit / (loss) for the period</b>		1,435,937	(6,563,301)
		<hr/>	<hr/>
<b>Net profit / (loss) attributable to members of the parent</b>		1,435,937	(6,563,301)
		<hr/>	<hr/>
		<u>Cents</u>	<u>Cents</u>
Basic earnings / (loss) per share (cents per share)		0.83	(4.61)
Diluted earnings / (loss) per share (cents per share)		0.81	(4.61)

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

**Sylvania Resources Limited**  
**ABN 80 091 415 968**

**Condensed Balance Sheet**  
**As at 31 December 2007**

	<b>31 December 2007 \$</b>	<b>30 June 2007 \$</b>
<b>Current Assets</b>		
Cash and cash equivalents	39,781,063	56,225,793
Trade and other receivables	8,819,967	838,747
Inventories	418,565	-
<b>Total Current Assets</b>	<b>49,019,595</b>	<b>57,064,540</b>
<b>Non-Current Assets</b>		
Available-for-sale investments	5,631,638	1,516,290
Investments accounted for using equity method	6,582,200	4,692,320
Deferred exploration expenditure	1,677,453	1,322,596
Plant and equipment	19,261,303	15,864,198
	-	470,440
<b>Total Non-Current Assets</b>	<b>33,152,594</b>	<b>23,865,844</b>
<b>Total Assets</b>	<b>82,172,189</b>	<b>80,930,384</b>
<b>Current Liabilities</b>		
Trade and other payables	1,606,572	3,295,481
Borrowings	23,209	21,988
<b>Total Current Liabilities</b>	<b>1,629,781</b>	<b>3,317,469</b>
<b>Non-Current Liabilities</b>		
Borrowings	261,658	91,055
Deferred tax liability	320,949	-
<b>Total Non-Current Liabilities</b>	<b>582,607</b>	<b>91,055</b>
<b>Total Liabilities</b>	<b>2,212,388</b>	<b>3,408,524</b>
<b>Net Assets</b>	<b>79,959,801</b>	<b>77,521,860</b>
<b>Equity</b>		
Issued capital	107,715,212	105,950,221
Reserves	(2,482,096)	(1,719,109)
Accumulated losses	(25,273,315)	(26,709,252)
<b>Total Equity</b>	<b>79,959,801</b>	<b>77,521,860</b>

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

**Condensed Statement of Changes in Equity**  
**For the half year ended 31 December 2007**

	Consolidated			Total equity \$
	Issued capital \$	Accumulated losses \$	Reserves \$	
<b>Balance at 1 July 2006</b>	29,242,204	(15,592,577)	(812,288)	12,837,339
Shares issued during the half year	32,467,297	-	-	32,467,297
Currency translation differences	-	-	(247,794)	(247,794)
Loss attributable to members of the parent entity	-	(6,563,301)	-	(6,563,301)
Net gains revaluation reserve	-	-	347,511	347,511
Recognition of share based payments	-	-	405,207	405,207
<b>Balance at 31 December 2006</b>	<u>61,709,501</u>	<u>(22,155,878)</u>	<u>(307,364)</u>	<u>39,246,259</u>
<b>Balance at 1 July 2007</b>	105,950,221	(26,709,252)	(1,719,109)	77,521,860
Options exercised	373,909	-	(173,909)	200,000
Employee share plan loan repaid - proceeds	1,062,500	-	-	1,062,500
Share based payment reserve transferred to contributed equity	341,383	-	(341,383)	-
Less: Capital raising costs	(12,801)	-	-	(12,801)
Profit attributable to members of the parent entity	-	1,435,937	-	1,435,937
Recognition of share based payments	-	-	245,199	245,199
Net gains revaluation reserve	-	-	(488,817)	(488,817)
Currency translation differences	-	-	(4,077)	(4,077)
<b>Balance at 31 December 2007</b>	<u>107,715,212</u>	<u>(25,273,315)</u>	<u>(2,482,096)</u>	<u>79,959,801</u>

*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 2007**

	<b>Consolidated</b>	
	<b>31 December 2007</b>	<b>31 December 2006</b>
	<b>Inflows/(Outflows)</b>	
	\$	\$
<hr/>		
<b>Cash flows from operating activities</b>		
Receipts from customers	550,336	-
Joint venture partnership distribution received	138,868	744,649
Payments to suppliers and employees	(6,146,717)	(2,967,240)
Interest received	961,737	498,208
Other revenue	42,654	388,193
	<hr/>	
<b>Net cash outflow from operating activities</b>	<b>(4,453,122)</b>	<b>(1,336,190)</b>
	<hr/>	
<b>Cash flows from investing activities</b>		
Payments for plant and equipment	(4,796,561)	(2,851,844)
Payments for exploration and evaluation	(356,340)	(479,330)
Payments for prospects	(377,578)	-
Payments for available-for-sale financial assets	(4,715,560)	-
Repayment of loans to other parties	(1,103,830)	(119,592)
Repayment of loans by other parties	4,000	156,258
	<hr/>	
<b>Net cash outflow from investing activities</b>	<b>(11,345,869)</b>	<b>(3,294,508)</b>
	<hr/>	
<b>Cash flows from financing activities</b>		
Proceeds from the issue of shares	862,500	29,487,840
Capital raising costs	(225,077)	(2,573,900)
	<hr/>	
<b>Net cash inflow from financing activities</b>	<b>637,423</b>	<b>26,913,940</b>
	<hr/>	
<b>Net increase/(decrease) in cash held</b>	<b>(15,161,568)</b>	<b>22,283,242</b>
	<hr/>	
<b>Cash at the beginning of reporting period</b>	<b>56,225,793</b>	<b>5,945,746</b>
	<hr/>	
<b>FOREX movements on cash balances</b>	<b>(1,283,162)</b>	<b>331,051</b>
	<hr/>	
<b>Cash at the end of the reporting period</b>	<b>39,781,063</b>	<b>28,560,039</b>
	<hr/> <hr/>	

*The above condensed cash flow statement should be read in conjunction with the accompanying notes.*

**Notes to the financial statements**  
**For the half year ended 31 December 2007**

**Note 1: Basis of preparation of half year report**

This general purpose financial report for the interim half year reporting period ended 31 December 2007 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to read in conjunction with the annual report for the year ended 30 June 2007 and any public announcements made by Sylvania Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

**Note 2: Segment information**

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

<b>Half year 31 December 2007</b>	South Africa \$	Australia \$	Consolidated \$
Segment revenue	9,362,400	1,347,261	10,709,661
Segment result	3,153,945	(1,718,008)	1,435,937

<b>Half year 31 December 2006</b>			
Segment revenue	1,214,421	491,133	1,705,554
Segment result	394,842	(6,958,143)	(6,563,301)

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

	<b>Consolidated</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2007</b>	<b>2006</b>
	\$	\$

Loss for the half year includes the following items that are unusual because of their nature, size or incidence:

**Expenses**

Project generation costs incurred in acquiring new projects in South Africa	-	5,546,000
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**Notes to the financial statements**  
**For the half year ended 31 December 2007**

**Note 4: Issued capital**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>31 December</b>	<b>30 June</b>
	<b>2007</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
<i>Ordinary shares</i>		
Issued and fully paid	107,715,212	105,950,221
	<b>Number</b>	<b>\$</b>
<i>Movements in ordinary shares on issue</i>		
At 1 July 2007	176,029,273	105,950,221
Exercise of options under the Employee Option Plan	350,000	-
Employee share plan loan repaid - proceeds	-	1,262,500
Transfer from share-based payments reserve	-	515,292
Less: Transaction costs arising on share issue	-	(12,801)
At 31 December 2007	176,379,273	107,715,212

**Note 5: Contingent liabilities**

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

**Note 6: Events occurring after the balance sheet date**

The value of the Company's available-for-sale investments, which consists of shares held in publicly listed entities, has decreased in value since balance sheet date to the date of this report by approximately \$1.8m.

On 27 February 2008 the Company announced that in accordance with its facilitation agreement entered into with Portpatrick Incorporated on 8 December 2005, a further 3 million ordinary fully paid shares will be issued to Portpatrick Incorporated for securing the life of mine rights to certain Run of Mine fines from three new Samancor sites situated at Broken Hill, Spitzkop and Buffelsfontein.

**Directors' declaration**

In the directors' opinion:

- (a) the financial statements and notes set out on pages 10 to 15 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half year ended on that date; and
- (b) there are reasonable grounds to believe that Sylvania Resources Limited 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**  
**Chief Executive Officer**

**Perth**  
**12 March 2008**

## 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 2007, 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 2007 ("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 an Interim Financial Report 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 2007 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.

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*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 12 March 2008.

*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 at 31 December 2007 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



**W M CLARK**  
Partner

Perth, Western Australia  
**12 March 2008**