

## Quarterly Report: 31 March 2008

A.C.N. 091 415 968

**SYLVANIA RESOURCES LIMITED**  
("Sylvania" or the "Company") (ASX/AIM:SLV)

### Highlights

- **34% production increase compared to the previous quarter to 4 802 ounces of Platinum Group Metals – PGM (3E+Au)**
  - 48% increase to 4 224 ounces from Sylvania Dump Operations (SDO)
  - 33% improvement in SDO recovery to 46%
- **134% rise in pre-tax profit to R56 208 000 (A\$8,324,438)**
- **SDO growth: capex of R20 601 000 (A\$3,051,027) in the quarter**
  - **Millsell and Steelpoort improvement projects**
  - **Lannex and Elandsdrift plant construction**
  - **Broken Hill and Moinooi run on mine (ROM) project development**

### Overview

Unaudited	Unit	Previous	Previous	Current	YTD
		Quarter Sept 2007	Quarter Dec 2007	Quarter March 2008	9 months to March 2008
<b>Financials</b>					
Revenue	R'000	20,920	34,814*	95,330	151,063
Profit (attributable)	R'000	1,166	22,882	56,208	80,256
Ave R/US\$ rate	R/US\$	6.76	7.54	7.98	7.51
<b>Production</b>					
Plant feed	t	125,149	155,272	143,294	423,715
PGM (3E+Au)	Oz	2,054	3,570	4,802	10,425

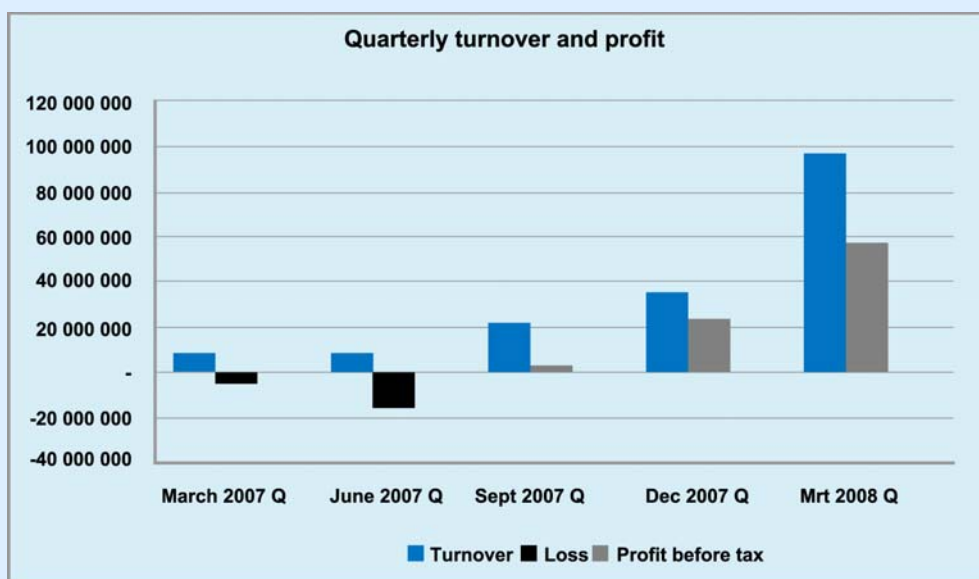
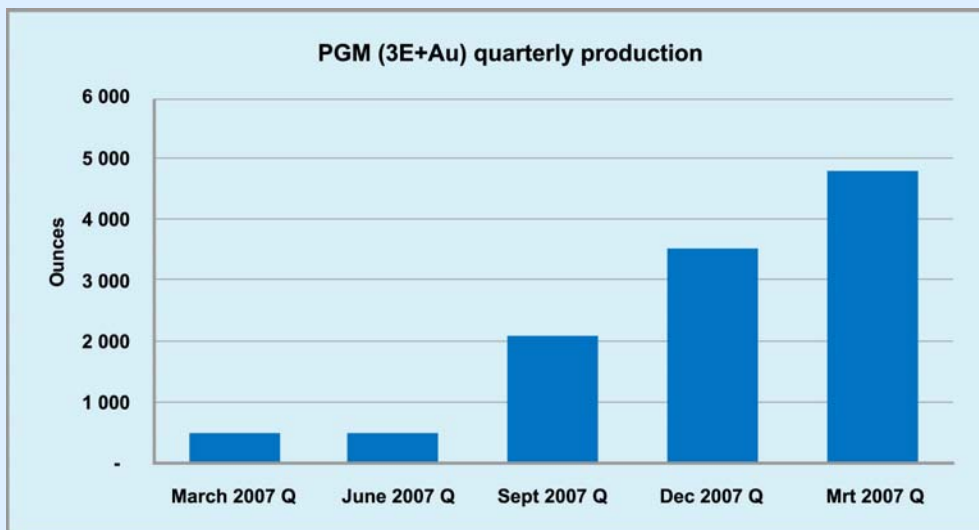
\* Restated in terms of work-in-progress stock

Total PGM (3E+Au) production for the quarter ended 31 March 2008 increased by 34% to 4 802 ounces, reflecting a 48% improvement in production to 4 224 ounces at Sylvania Dump Operations (SDO).

Higher production from SDO flowed from improved recovery at the Millsell and Steelport plants as various ramp-up issues continue to be addressed.

Revenue rose by 174% to R95 330 000 (A\$14,122,963), a consequence both of higher production and a 36% increase in the average PGM (3E+Au) basket price received to US\$2,706 per ounce.

After accounting for cash operating costs – 21% lower at R2 869 per ounce (US\$359oz) due higher SDO production – profit was 146% higher at R56 208 000.



## Sylvania Dump Operations (SDO)

(100%)

Unaudited	Unit	Previous	Current	+ - %	YTD
		Quarter Dec 2007	Quarter March 2008	Quarter on Quarter	9 months to March 2008
<b><u>Revenue</u></b>					
Revenue	R'000	27,314	81,902	200%	123,552
Basket price before charges	US\$/oz	2,004	2,737	37%	2,562
Gross cash margin	%	54%	84%	54%	76%
Capital expenditure	R'000	14,368	20,601	43%	101,505
Ave R/US\$ rate	R/US\$	7.54	7.98	6%	7.51
<b><u>Site cash cost</u></b>					
Per ROM ton	R/t	91	105	16%	79
	US\$/t	12	13	10%	11
Per PGM oz	R/oz	3,995	2,875	-28%	3,489
	US\$/oz	530	360	-32%	465
<b><u>Production</u></b>					
Plant feed tons	t	137,518	127,451	-7%	372,682
Grade	g/t	2.11	2.70	28%	2.04
Recovery	%	34%	46%	33%	38%
Total PGM (3E+Au)	Oz	2,863	4,224	48%	8,471

Total SDO PGM (3E+Au) production rose by 48% to 4 224 ounces, a consequence both of a 33% improvement in recovery to 46% and a 28% increase in grade to 2.70 grams per ton. Further fine-tuning of the Millsell and Steelpoort plants during the June quarter is expected to address a 7% drop in plant feed to 127 451 tons which was due also, in part, to heavy summer rainfall.

Revenue was 200% higher at R81 902 000 due to the production increase, a 37% increase in the average basket price received to US\$2,737 and a 6% weakening of the South African Rand against the US Dollar to 7.98:1.

Cash operating costs were 28% lower at R2 875 per ounce (US\$359 per ounce), reflecting higher production, and the gross cash margin improved by 54% to 84%.

## **Capital expenditure**

SDO capital expenditure in the quarter increased by 43% to R20 601 000. The committed capital expenditure at the end of March 2008 was R17 400 000.

The previously reported process improvement projects at the Millsell and Steelpoort plants are proceeding. While installation of bead mills at both plants is slightly behind schedule due to supplier delays, these are expected to be operational by the end of the June quarter. Extra cleaner flotation cells have been installed at Millsell and have resulted in the expected level of performance improvement. Their installation at Steelpoort will follow once the optimal configuration has been determined. Installation of automatic samplers and flow measuring instrumentation at both Millsell and Steelpoort is in progress.

Detailed project planning for the Lannex Project is being finalised. Construction is scheduled for completion by the end of November 2008, with production currently planned to start in December 2008. Lannex will be a 70 000 ton per month feed plant, double the size of the Millsell and Steelpoort plants. Planning of the Elandsdrift Plant is at an advanced stage and production is expected to begin by the end of calendar 2008.

Construction of the Broken Hill Run of Mine (ROM) Project is under way, with completion and the start of commissioning scheduled by the end of August 2008. Work on the Mooinooi Project to treat Buffelsfontein Run of Mine and Mooinooi plant current arisings has begun, with completion and the start of commissioning planned by the end of the calendar year for 2008.

## **Safety**

While the SDO Disabling Injury Frequency Rate (DIFR) remained at zero quarter on quarter, the Lost Time Injury Frequency Rate (LTIFR) deteriorated from 3.88 to 4.48. During the quarter, all operating personnel at the Steelpoort site received refresher basic safety training.

## Chrome Tailings Retreatment Project (CTRP)

(25% attributable)

Unaudited	Unit	Previous	Current	+ - %	YTD
		Quarter Dec 2007	Quarter March 2008	Quarter on Quarter	9 months to March 2008
<b><u>Revenue</u></b>					
Revenue	R'000	7,501	13,428	79%	27,511
Basket price	US\$/oz	1,967	2,483	26%	
Gross cash margin	%	81%	88%	8%	84%
Ave R/US\$ rate	R/US\$	6.75	7.40	10%	7.09
<b><u>Site Cash cost</u></b>					
Per ROM ton	R/t	79	103	30%	85
	US\$/t	12	14	19%	12
Per PGM oz	R/oz	1,988	2,818	42%	2,226
	US\$/oz	295	381	29%	314
<b><u>Production</u></b>					
Plant feed	t	17,755	15,843	-11%	51,033
Grade	g/t	4.53	4.58	1%	4.70
Recovery	%	27%	25%	-10%	25%
Total PGM (3E+Au)	Oz	707	577	-18%	1,955

Recovery was 10% lower at 25%, resulting in an 18% decline in PGM production to 2 309 ounces (577.25 ounces attributable to Sylvania). Lower recovery was due to an increase in the amount of oxidised material fed to the plant. The head grade was 1% higher at 4.58 grams per ton.

The average PGM basket price received was 26% higher at US\$2,483 per ounce. This resulted in a 79% increase in revenue to R54 million (R13.4 million attributable to Sylvania). The cash margin increased to 88%.

Cash costs increased by 42% to R2 818 per ounce.

### Near-Surface Projects and Prospects

Investigations by Sylvania and Aquarius Platinum South Africa (AQPSA) into an equitable joint venture arrangement in respect of the Everest North Prospect are continuing. Sylvania has proposed that it returns Everest North to AQPSA in return for the right to recover chrome and PGMs from AQPSA tailings.

Meanwhile, Sylvania is proceeding with detailed planning of the Everest North. This includes mining, plant and infrastructure design, and completion of the bankable feasibility study.

Negotiations are under way between Sylvania and Eastern Platinum Limited to conclude a mining joint venture in respect of Everest North, based on combining the farms Mareesburg and Vygenhoek.

In respect of the Harriet's Wish Prospect recently acquired from Rustenburg Platinum Mines, the Company is reviewing its options and an announcement will be made in due course

## **Outlook**

Looking ahead, SDO production is expected to rise in the fourth quarter as a consequence of measures taken to increase plant feed; continued improvement in recovery; and completion of process improvement projects at Millsell and Steelpoort. Further improvement is anticipated by the end of calendar 2008, with the completion of the Lannex and Elandsdrift plants and the Broken Hill ROM and Mooinooi projects.

Increasing SDO production, cost reductions and continued buoyancy of the PGM market augur well for stronger revenues and profits.

Groundwork continues to be laid for the Company's future growth in respect of additional tailings dumps and near-surface mining activities.

I should like to pay tribute to the Sylvania team for its achievement of the third quarter's results, all the more outstanding given that SDO are still in the production ramp-up phase.

A handwritten signature in black ink on a light yellow background. The signature appears to read 'T. McConnachie'.

**TERRY MCCONNACHIE**  
**Chief Executive Officer**

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.

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## Appendix 5B

### *Mining exploration entity quarterly report*

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98.

Name of entity

SYLVANIA RESOURCES LIMITED

ACN or ARBN

091 415 968

Quarter ended ("current quarter")

31 March 2008

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	6,283	7,793
1.2 Payments for (a) exploration and evaluation	(109)	(453)
(b) development	(3,637)	(9,628)
(c) production	(2,122)	(5,130)
(d) administration	(1,151)	(4,267)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	655	1,617
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other	340	310
<b>Net Operating Cash Flows</b>	<b>259</b>	<b>(9,758)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects		(380)
(b) equity investments		(4,716)
(c) other fixed assets	4	(156)
1.9 Proceeds from sale of: (a) prospects		
(b) equity investments		
(c) other fixed assets		
1.10 Loans to other entities	(92)	(112)
1.11 Loans repaid by other entities	30	77
1.12 Other (provide details if material)		
<b>Net investing cash flows</b>	<b>(58)</b>	<b>(5,287)</b>
1.13 Total operating and investing cash flows (carried forward)	201	(15,045)

1.13	Total operating and investing cash flows (brought forward)	201	(15,045)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	952	952
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		863
1.17	Repayment of borrowings	(5)	(23)
1.18	Dividends paid		
1.19	Other – capital raising costs	-	(225)
	<b>Net financing cash flows</b>	947	1,567
	<b>Net increase (decrease) in cash held</b>	1,148	(13,478)
1.20	Cash at beginning of quarter/year to date	39,638	57,879
1.21	Exchange rate adjustments to item 1.20	(641)	(4,256)
1.22	<b>Cash at end of quarter</b>	40,145	40,145

### 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	904
4.2 Development	9,331
<b>Total</b>	<b>10,235</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	1,939	2,115
5.2 Deposits at call	38,206	37,523
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter</b> (item 1.22)	<b>40,145</b>	<b>39,638</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			

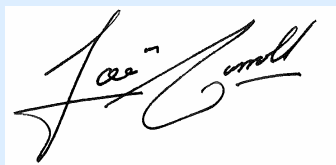
## Issued and quoted securities at end of current quarter

*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 <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>	180,012,273	180,012,273	N/A	N/A
7.4 Changes during quarter (a) Increases through issues 3,000,000 500,000 33,000 100,000  (b) Decreases through returns of capital, buy-backs		3,000,000 500,000 33,000 100,000	\$2.92 \$2.89 \$2.67 \$0.75	\$2.92 \$2.89 \$2.67 \$0.75 – exercise of options
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>	500,000 600,000 400,000 600,000	Nil Nil Nil Nil	<i>Exercise price</i> \$0.50 \$0.75 \$2.89 \$2.67	<i>Expiry date</i> 30 June 2009 30 June 2010 30 June 2011 30 June 2011
7.8 Issued during quarter	400,000 600,000	Nil Nil	\$2.89 \$2.67	30 June 2011 30 June 2011
7.9 Exercised during quarter	100,000	Nil	\$0.75	
7.10 Expired during quarter				
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 Law 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:

Date: 30 April 2008

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.