

("Sylvania" or "the Company")
ASX / AIM (SLV)
A.C.N. 091 415 968
Issued shares: 301,961,805

28 January 2011

Quarterly Report to 31 December 2010

HIGHLIGHTS

- **Another record quarter for the Sylvania dump operations ("SDO")**
 - **9,772 ounces PGM 3E and Au produced by the five SDO plants in the quarter;**
 - **10,135 ounces attributable to Sylvania including CTRP, 11% improvement on last quarter;**
 - **SDO revenue up 30% and cash costs reduced by 19% compared to the previous quarter;**
- **Proposed redomicile of Sylvania from Australia to Bermuda announced;**
- **Share exchange agreement with Africa Asia Capital Limited ("AACL") approved by shareholders.**

OVERVIEW

Sylvania achieved another encouraging quarter of growth with production yielding 10,135 ounces for the quarter to 31 December 2010. This is a 1,009 ounce increase on the previous quarter and the Company remains on track to achieve the targeted 40,000 ounces for the 2011 financial year. The Steelpoort operation had an exceptional quarter with a 31% increase in production on the previous quarter. SDO revenue increased by 30% from R60 million to R79 million. The net basket price achieved rose 11% to US\$1,123/oz and the average cost per ounce decreased by 19% from R4,667/oz (US\$655/oz) to R3,758/oz (US\$551/oz), further improving profitability of the SDO. The Company had R149 million (A\$22 million) cash available at the end of December 2010.

As announced on 29 September 2010, Sylvania entered into a share exchange agreement with AACL ("Share Exchange Agreement") pursuant to which Sylvania agreed to acquire, and AACL agreed to sell, a 26% interest in Sylvania Metals (Pty) Limited ("Sylvania Metals"). On 23 November 2010, the shareholders of Sylvania ratified the issue of 7,711,888 fully paid ordinary shares in the capital of Sylvania ("Sylvania Shares") to a nominee of AACL and approved a further issue of 51,170,663 Sylvania Shares to AACL (or its nominee) pursuant to the Share Exchange Agreement. The additional Sylvania Shares were issued to a nominee of AACL on 1 December 2010, thereby completing the Company's acquisition of the 26% interest in Sylvania Metals. Sylvania now owns 100% of Sylvania Metals.

On 26 November 2010, Sylvania announced the proposed redomicile of the Sylvania group of companies ("Sylvania Group") from Australia to Bermuda. The proposed redomicile will be implemented through a scheme of arrangement between Sylvania and its members ("Scheme"). Should Sylvania's members approve the Scheme and the Scheme comes into effect in accordance with its terms, Sylvania Platinum Limited ("Sylvania Platinum"), a company incorporated in Bermuda, will become the new holding company of the Sylvania Group. Subject to the Scheme being implemented, Sylvania Platinum will be admitted to both the ASX and AIM and it is currently envisaged that shares in Sylvania Platinum ("Sylvania Platinum Shares") will commence trading on ASX and AIM on a normal settlement basis in late March 2011.

* Unaudited - Group	Unit	Sep 2010 Quarter	Dec 2010 Quarter	% Change
Financials				
Revenue	R'000	62,844	81,507	30%
Ave R/US\$ rate	R/US\$	7.13	6.82	-4%
Production				
PGM Plant Feed Tons	t	155,951	159,533	2%
PGM 3E and Au	oz	9,126	10,135	11%

A. SYLVANIA DUMP OPERATIONS

Health, safety and environment

Sylvania has worked since October 2009 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	Sep 2010 Quarter	Dec 2010 Quarter	+ - % Quarter on Quarter	2011 Financial YTD
Revenue					
Revenue	R'000	60,393	78,697	30%	139,090
Gross Basket Price	US\$/oz	1,423	1,563	10%	1,558
Net Basket Price	US\$/oz	1,015	1,123	11%	1,118
Gross Cash Margin - SDO	%	33%	54%	64%	45%
Capital Expenditure	R'000	8,509	10,162	19%	18,671
Ave R/US\$ rate	R/US\$	7.13	6.82	-4%	6.86
EBITDA	R'000	13,199	23,757	80%	36,956
SDO Cash Cost					
Per PGM Feed ton	R/t	281	239	-15%	260
Per PGM Feed ton	US\$/t	39	35	-10%	38
Per 3E & Au oz	R/oz	4,667	3,758	-19%	4,191
Per 3E & Au oz	US\$/oz	655	551	-16%	611
Production					
Plant Feed	t	332,689	325,998	-2%	658,687
Feed Head Grade	g/t	2.37	2.49	5%	2.41
PGM Plant Feed Tons	t	145,481	153,705	6%	299,186
PGM Plant Grade	g/t	4.31	4.28	-1%	4.30
PGM Plant Recovery	%	42.7%	46.2%	8%	44.0%
Total 3E and Au	oz	8,758	9,772	12%	18,530



Millsell

The Millsell operation produced 2,014 ounces for the quarter ended 31 December 2010, against 2,377 ounces in the previous quarter. The reduction in ounce production is due to the reduced current arising received from the Millsell mine over the December holiday period. Recoveries remained consistent at 43.2% whilst unit costs increased from R2,387/oz (US\$335) to R2,783/oz (US\$408/oz) mainly due to lower feed grade. The planned feed to Millsell from the main Millsell dump is nearing full depletion and processing of material from the nearby Waterkloof tailings dump will commence in February 2011. This action will see the plant continue to operate at a similar ounce profile and unit cost to the current quarter.

Steelpoort

The Steelpoort operation produced a record total of 3,612 ounces for the quarter ended 31 December 2010, 862 ounces higher than the previous quarter, primarily due to higher grades. Recoveries remained stable at 61% with plant uptime at 96%. The cost per ounce was reduced to R2,160/oz (US\$317/oz) from R3,206/oz (US\$450/oz), a 33% improvement on the previous quarter as a direct result of the higher production ounces.

Lannex

The Lannex operation produced 1,348 ounces for the quarter ended 31 December 2010, a 281 ounce improvement on the previous quarter. Cost per ounce also improved in Rand terms slightly from R5,961/oz (US\$836/oz) to R5,823/oz (US\$854) however this gain was offset by currency fluctuations.

Although production at Lannex has improved steadily since the plant was restarted in June 2010, the limitations due to the tailings disposal constraints continue to hamper production. The construction of the new tailings facility continues and further improvements are expected in the plant's production.

Mooinooi

The Mooinooi operation produced 1,318 ounces for the quarter to 31 December 2010, a 163 ounce decrease on the previous quarter. The costs remained high at R4,994/oz (US\$660/oz) compared to R4,659/oz (US\$653/oz) due to the additional mill maintenance and mining costs. During the current quarter management commenced with the installation of a second mill in anticipation of increased tonnage throughput from underground as a result of the Mooinooi mine HMS project. This mill is currently undergoing final commissioning and is expected to be fully operational in the quarter to 31 March 2011.

Doornbosch

The Doornbosch plant produced 1,480 ounces for the quarter ended 31 December 2010 against 1,083 ounces in the previous quarter when the plant was still in commissioning stage. This amounts to a 37% (397 ounce) increase quarter on quarter. Float plant uptime of 98% was achieved with recoveries averaging 65%. Cost per ounce showed a 35% improvement from R4,831/oz (US\$678/oz) in the previous to quarter to R3,137/oz (US\$460/oz) for the quarter ended 31 December 2010.

Reduced feed available from the Doornbosch mine still remains a limitation and thus delaying the plant in achieving design capacity of 20,000 tons per month. In order to utilise the additional capacity available the rougher tails are being recycled which aims to achieve higher recoveries and optimum densities in the float plant. A hydro mining facility was commissioned during the quarter and this now allows the treatment of tailings from nearby dumps thus augmenting the ounce production.

Tweefontein

Planning of the equipment configurations and processing options for the Tweefontein plant are currently underway.

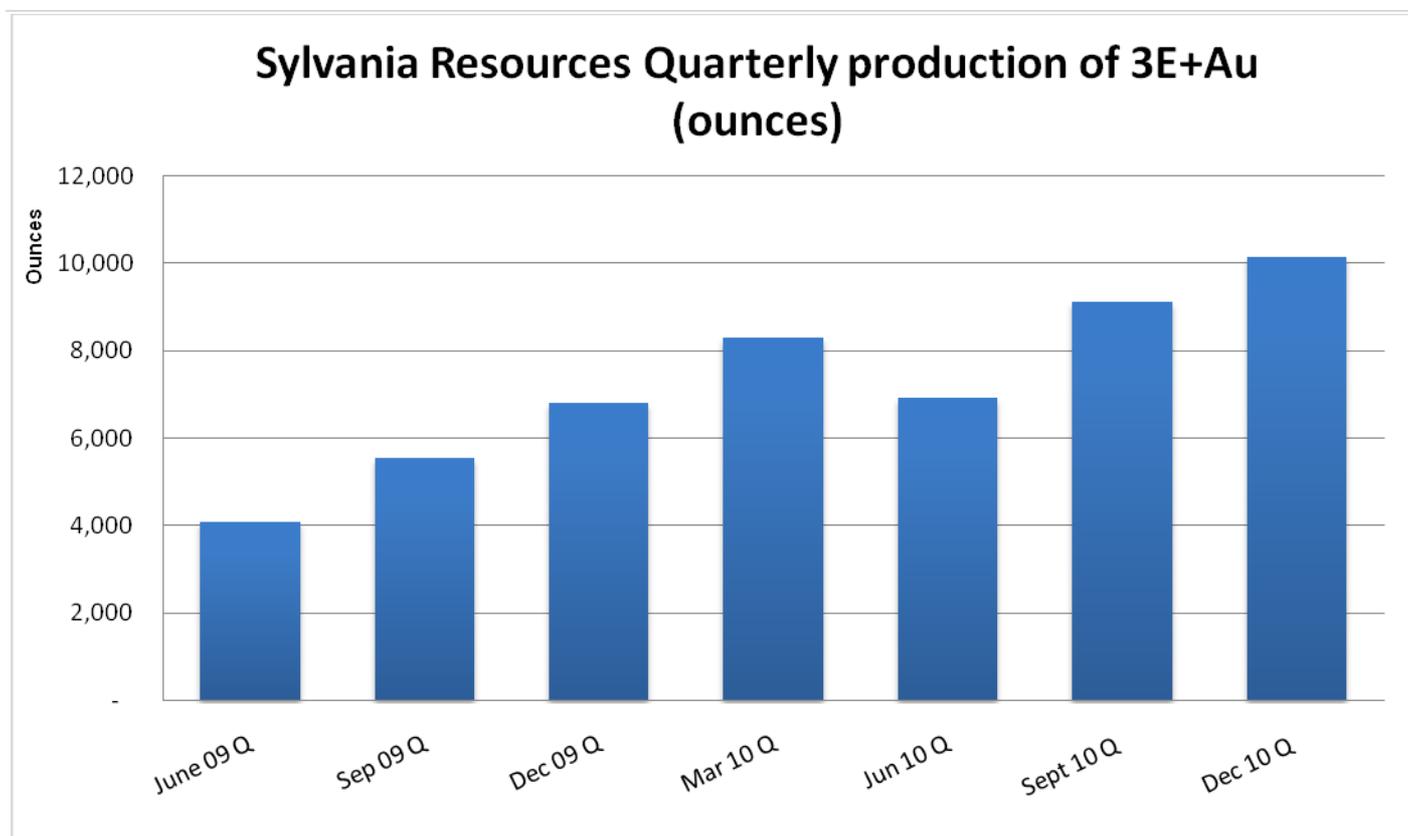


B. CTRP (Sylvania 25% attributable, managed by Aquarius Platinum)

CTRP production decreased from 367 ounces to 363 ounces. Ounce production has stabilised due to the elimination of the pipeline blockages. Further design changes are expected to improve ounce recovery in future quarters.

CTRP (25%): Statistical Information

* Unaudited	Unit	Sep 2010 Quarter	Dec 2010 Quarter	+ - % Quarter on Quarter	2011 Financial YTD
Revenue					
Revenue	R'000	2,451	2,810	15%	5,261
Basket Price	US\$/oz	1,426	1,559	9%	1,492
Ave R/US\$ rate	R/US\$	7.34	6.92	-6%	7.16
Site Cash Cost					
Per ROM ton	R/t	193	359	86%	257
Per ROM ton	US\$/t	26	52	100%	36
Per PGM oz	R/oz	5,504	5,763	5%	5,742
Per PGM oz	US\$/oz	750	833	11%	802
Production					
Plant Feed Tons	t	10,470	5,828	-44%	16,298
Grade	g/t	2.72	3.36	24%	2.95
Recovery	%	40%	58%	45%	47%
Total 3E and Au	Oz	367	363	-1%	730



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 had been declared for the Volspruit project. This resource comprises 28.4 million tons in the measured category, 16.6 million tons in the indicated category and 0.76 million tons in the inferred category. This is equivalent to 1.15 million ounces of 3E measured and 620,000 ounces of 3E in the indicated and inferred categories. The Southern Ore Body comprises 47.8 million tons or equivalent of 1.8 million ounces of 3E in the indicated and inferred categories. The Southern Ore Body will be reappraised during the third quarter of financial year 2011.

During the last quarter of 2010 SRK prepared a mining study for the northern deposit in order to determine whether more drilling (for geotechnical and evaluation purposes) should be carried out. The design of the practical pit seeks to ensure that all material can be mined with a minimum of difficulty and endeavours to extract the majority of the economic ore within the pit limits.

A pre-feasibility level engineering study was carried out by MDM Engineering during the quarter, informing the strategy, cost and project schedule for a platinum concentrator plant with a throughput of 100,000 tons per month, associated infrastructure and a tailings storage facility. Ultimately three identical plants will provide an annual throughput of 3.6 million tons. Construction is expected to take 18 months and include the establishment of mine infrastructure. Feasibility design of the plant and detailed planning is continuing.

Sylvania has appointed independent contractors to carry out the mining works program, the social labour plan as well as the environmental impact assessment (EIA).

Conversion of the exploration licence to a mining right is expected to be lodged shortly.

Northern Platreef Project

The Northern platreef project is in the process of 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 by external consultants who identified several areas for additional drilling. The new drilling program, designed to generate the information necessary to upgrade the exploration targets is being planned for 2011.

D. SYLVANIA GROUP

Redomicile of Sylvania from Australia to Bermuda

On 26 November 2010, Sylvania announced that the Company intends to redomicile the holding company of the Sylvania Group from Australia to Bermuda ("Redomicile Proposal").

Under the Redomicile Proposal, all existing shares in Sylvania will be exchanged for shares in Sylvania Platinum, a company incorporated in Bermuda. It is intended that the redomicile will be effected through a scheme of arrangement between Sylvania and its members. Sylvania Platinum will then become the new holding company for the Sylvania Group.

The Directors believe that the main advantages of the Redomicile Proposal include a reduction in operational and administrative costs associated with an Australian incorporated entity and the potential to create a more effective tax structure. The Redomicile Proposal is also expected to create a corporate structure that is able to facilitate flexibility in the terms and conditions upon which the Sylvania Group can participate in future corporate transactions and will make it easier to access international investor markets, particularly in North America.



Although the Redomicile Proposal will result in once-off implementation costs and reduced investor protection due to many provisions in the Australian Corporations Act 2001 (Cth) ("Corporations Act") no longer applying, the Directors are of the opinion that the advantages far outweigh the disadvantages and intend to vote all Sylvania Shares held by, or on behalf of them in favour of the proposed scheme.

On 18 January 2011, the Supreme Court of Western Australia made orders to allow Sylvania to convene a meeting of its members to consider the proposed scheme of arrangement between Sylvania and its members to effect the merger with Sylvania Platinum. The meeting of Sylvania's members is scheduled for 2 March 2011.

Details of the Scheme are set out in the Scheme Booklet. The Scheme Booklet, a copy of which is available on Sylvania's website, has been registered with the Australian Securities and Investments Commission.

Sylvania Platinum has applied for official quotation on ASX of all Sylvania Platinum Shares to be issued under the Scheme. The application is conditional upon the Scheme coming into effect pursuant to the Corporations Act.

On 25 January 2011, Sylvania Platinum issued a pre-admission announcement plus appendix in respect of the proposed admission of Sylvania Platinum Shares to trading on AIM. It is currently expected that the Sylvania Platinum Shares will begin trading on ASX and AIM on a normal settlement basis on or about 25 March 2011, subject to implementation of the Scheme.

Consolidation of SDO through share exchange agreement

On 29 September 2010, Sylvania announced that it had entered into the Share Exchange Agreement with AACL to acquire the remaining 26% interest it did not already own in Sylvania Metals, which operates the SDO.

On 29 September 2010, Sylvania issued an initial tranche of 7,711,888 Sylvania Shares to a nominee of AACL. In accordance with shareholder approval obtained at the Company's general meeting on 23 November 2010, the remaining tranche of 51,170,663 Sylvania Shares was issued to AACL's nominee. The full consideration of 58,882,551 Sylvania Shares has now been issued to AACL's nominee, Rene Nominees (IOM) Limited, pursuant to the terms of the Share Exchange Agreement.

In accordance with the terms of the Share Exchange Agreement, and also upon implementation of the Scheme, AACL has agreed, subject to certain exceptions, that it will not dispose of 51,170,663 Sylvania Shares issued to it under the Share Exchange Agreement for a period of 12 months from the date of issue, being 1 December 2010, without the prior written consent of Sylvania (which must not be unreasonably withheld or delayed).

Vygenhoek Mining Application (Everest North)

Sylvania and Aquarius Platinum (SA) (Pty) Ltd are currently investigating the business model to develop the Everest North mine to the mutual advantage of both parties. Should an agreement not be reached between the parties, the matter will then be heard by an arbitrator on a date to be arranged.

Jubilee/Sylvania Alliance

On 26 November 2010 Sylvania and Jubilee Platinum Plc ("Jubilee") jointly announced that they have expanded the previous framework agreement by entering into a smelting and refining agreement that sets out the respective responsibilities of the parties and timeframe deliverables for the next phase of their strategic partnership ("Smelting and Refining Agreement"). The parties have agreed to extend their joint investigations to progress a study into the design and construction of a smelter and refinery complex allocated to processing concentrate from the proposed Volspruit mine that will be developed by Sylvania.

The Volspruit mine project will be developed concurrently by Sylvania and the Volspruit smelter/refinery project will be managed by the Sylvania/Jubilee JV. The JV with Jubilee will allow benefits to be derived from the combination of the ConRoast process with a DC arc smelter associated with a base metal refining process.

Under the Smelting and Refining Agreement the parties have agreed that study work will be undertaken, and if satisfied with the outcome the parties will incorporate a new company and subscribe equally for the shares in the new company and enter into a shareholder agreement.



Termination of SA Metals Royalty Agreement

Further to the Company's announcement on 1 July 2010, receipt of approval from the South African Reserve Bank to issue 3 million Sylvania Shares to Minex Projects (Pty) Ltd ("Minex") in final settlement of the termination of the royalty agreement between Minex and SA Metals Limited is still pending. Minex will receive 6 tranches of 500,000 Sylvania Shares bi-annually once this approval has been obtained.

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")

31 December 2010

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	10,407	22,003
1.2	Payments for (a) exploration & evaluation	(406)	(783)
	(b) development	(1,256)	(2,824)
	(c) production	(5,033)	(9,733)
	(d) administration	(3,795)	(9,047)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	335	627
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid	(202)	(202)
1.7	Other (provide details if material)	(552)	(943)
Net Operating Cash Flows		(502)	(902)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects		
	(b) equity investments		(10)
	(c) other fixed assets		
1.9	Proceeds from sale of:		
	(a) prospects		
	(b) equity investments		3
	(c) other fixed assets		
1.10	Loans to other entities	(1)	(7)
1.11	Loans repaid by other entities	6	15
1.12	Other (provide details if material)		
Net investing cash flows		5	1
1.13	Total operating and investing cash flows (carried forward)	(497)	(901)



1.13	Total operating and investing cash flows (brought forward)	(497)	(901)
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	(83)	(181)
1.18	Dividends paid		
1.19	Other (provide details if material)	(430)	(443)
	Net financing cash flows	(513)	(624)
	Net increase (decrease) in cash held	(1,010)	(1,525)
1.20	Cash at beginning of quarter/year to date	23,016	23,539
1.21	Exchange rate adjustments to item 1.20	(228)	(236)
1.22	Cash at end of quarter	21,778	21,778

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	448
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	868
4.2 Development	4,603
4.3 Production	5'600
4.4 Administration	2,999
Total	14,070

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	6,581	7,408
5.2 Deposits at call	15,197	15,608
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	21,778	23,016

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	301,961,805	301,961,805	N/A
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	51,170,663	51,170,663	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: 28 January 2011

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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