



A.C.N 091 415 968

**QUARTERLY REPORT 30 SEPTEMBER 2007**

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## **SYLVANIA RESOURCES LIMITED (ASX/AIM :SLV)**

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### **HIGHLIGHTS**

- **Millsell and Steelpoort plants fully operational with production ramping-up**
  - **Completion of the program to upgrade the UG2 platinum deposit at Everest North**
  - **SLV admitted to the S&P/ASX All Ordinaries and S&P/ASX 300 indices**
  - **Board Changes**
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### **OPERATIONS**

#### **PROGRESS UPDATE**

##### **Millsell**

The Millsell PGM Recovery Plant was commissioned towards the end of the previous financial year and production ramp-up continued throughout the current (September 2007) quarter. Millsell produced 949 4E PGM ounces and 26,128 tonnes of chrome concentrate during the quarter.

PGM production was well above the Company's ramp-up budget of 896 4E PGM ounces for the quarter. Chrome production was above the steady state budget level of 24,000 tonnes of chrome concentrate per quarter. PGM production is still increasing and the design level of 690 4E PGM ounces per month is expected to be achieved before the end of November 2007.

As already announced, all of the Millsell PGM production is covered by an off-take agreement with Anglo American Platinum Corporation Limited. For accounting purposes, the Chrome Tailings Retreatment Project (CTRP) PGM basket price for the quarter of US\$1,775 per PGM ounce has been used. After chrome credits, cash costs for the quarter were US\$ 378 (R2,681) per 4E PGM ounce and the cash margin was 73%. In September 2007 a cash cost of R1,852/ per 4E PGM /oz was achieved, mainly as a result of the increased ounces recovered.

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Contract sign off with Matomo Pty Ltd in relation to the construction of the Millsell chrome and PGE float plants was completed, and handover of the plants occurred on 13 August 2007.

### **Steelpoort**

The Steelpoort PGM Recovery Plant commenced operations on Sunday 26 August. By the end of the September quarter, commissioning of all facilities had been completed and production ramp-up was in progress. Steelpoort produced 435 4E PGM ounces and 4,797 tonnes of chrome concentrate during the quarter, having only been in production for one full month of the quarter.

After allowing for a one month delay in plant completion, PGM and chrome production were significantly above the Company's ramp-up budgets for the quarter of 146 4E PGM ounces and 1,690 tonnes of chrome concentrate. It is expected that in excess of 2,400 4E PGM ounces and 15,000 tonnes of chrome concentrate will be produced in the fourth quarter of this year.

Steelpoort PGM production is presently being disposed of via spot sales. For accounting purposes, the CTRP PGM basket price for the quarter of US\$1,775 per PGM ounce has been used. Including chrome credits, cash costs for the quarter were US\$ 349 (R2,475) per 4E PGM ounce and the cash margin was 77%. The PGM grade at Steelpoort is higher than at Millsell, which is expected to result in lower cash costs and higher margins than at Millsell.

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

Construction of the third integrated chrome and PGE float plant at Elandsdrift was placed on hold to focus upon the completion of the Millsell and Steelpoort plants.

After discussions with Samancor Limited, it was subsequently decided to alter the development schedule and focus resources on the construction of an integrated chrome and PGE float plant at the Lannex site.

Construction work has commenced at Lannex and the first section of the plant will be completed by the end of March 2008. Following completion of the Lannex plants, construction of the Elandsdrift integrated chrome and PGE float plants will be continued. It is currently anticipated that the Elandsdrift plants will be completed in

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October 2008. These dates include allowance for delays caused by the shortage of equipment and resources which are being experienced across the South African Mining Industry.

### **Everest North Project**

The Everest North project lies on the Farm Vygenhoek JT 10 in the eastern Bushveld of South Africa, and is prospective for PGMs. A diamond drilling programme and an Environmental Impact Assessment (EIA) study associated with a full feasibility study commenced in the June 2006 quarter.

The drilling program to upgrade the Vygenhoek 10 JT UG2 platinum deposit to a measured resource was completed on 8 September 2007 with the finalisation of drill hole VH21.

All planned drill holes from VH1 to VH21 have been drilled with three reef intersections per drill hole. All holes drilled have intersected well developed UG2 reef. The entire drill core has been logged and sampled for assay and evaluation purposes. The last assay samples were sent to Genalysis on 17 September 2007 and results are expected to be received by the end of October 2007. The resource estimate and the competent persons report will be prepared as soon as these results are received and can be expected to be published in November 2007.

The EIA study is progressing positively in that the National Environmental Management Authority has given the approval for the EIA process on Vygenhoek. Work on the mining right application is nearing finalisation with the completion of the Mine Works Program ("MWP") and the Social and Labour Development plan.

### **Chromite Tailings Retreatment Project (CTRP) (Sylvania interest 25%)**

CTRP produced 2681 4E PGM ounces during the current quarter (Sylvania attributable 670 4E PGM ounces). The production increased by 42.8% compared to the previous quarter due mainly to plant improvements including thickening and bead milling of the flotation feed.

The PGM basket price for the quarter decreased slightly, by 4.4%, to \$1,775 per PGM ounce. Due to the increased production, cash costs decreased to US\$ 253 (R1,976) per 4E PGM ounce and the cash margin improved to 80%.

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### **CORPORATE**

#### **Strategic Investment**

Sylvania announced on 5 September 2007 that it had reached an agreement to make a strategic investment in Great Australian Resources Ltd ("GAU"). Under the terms of an agreement with GAU, Sylvania will acquire 14,600,000 new shares in GAU at a price of A\$0.27 per share for a total consideration of approximately A\$3.943 million. Following the investment, Sylvania will own approximately 19.9% of GAU. This placement is subject to the approval of GAU shareholders.

GAU is listed on the Australian Stock Exchange (ASX:GAU) and has a market capitalisation of approximately A\$22 million. It is currently focused on platinum and nickel exploration in South Africa. Sylvania believes that GAU's Mooiplats Platinum Project in South Africa, which is a potential near surface Merensky reef project, warrants the investment in this exploration company.

#### **Admission to S&P/ASX Indices**

During September 2007, Sylvania was admitted to the S&P/ASX All Ordinaries and S&P/ASX 300 indices.

The S&P/ASX All Ordinaries index is Australia's premier market indicator. It represents the 500 largest companies in the Australian equities market. Index constituents are drawn from eligible companies listed on the Australian Stock Exchange.

The S&P/ASX 300 index provides additional depth and coverage in the Australian equities market. Index constituents are drawn from eligible companies listed on the Australian Stock Exchange. This index is designed to address investment managers' needs to benchmark against a portfolio characterized by sufficient size and liquidity. S&P/ASX 300 is a component of the Australian indices that could be used as building blocks for portfolio construction.

#### **Board Changes**

As operations ramp up at Millsell and Steelpoort and revenues increase, the operational focus of Sylvania will be increasingly South African based. To reflect this move, the

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Company has recruited three new Board members (as announced on 15 August 2007) who will add significantly in the areas of strategy, development and finance.

Richard Rossiter (age 50) joined the Board as Non-Executive Chairman. Dr Alistair Ruiters (age 42) joined the Board as a Non-Executive Director and Louis Carroll (age 61) joined as Finance Director.

As a result of these appointments Ed Nealon, Melissa Sturgess and Scott Huntly resigned from the Board. They will all remain closely involved with the Company in a consulting capacity.

The Sylvania Board now comprises the following directors:

Mr Richard Rossiter	Non-Executive Chairman
Mr Terry McConnachie	Chief Executive Officer
Dr Evan Kirby	Chief Operations Officer
Mr Louis Carroll	Finance Director
Dr Alistair Ruiters	Non-Executive Director

### Exercise of Employee Options

During the quarter, the Company issued and allotted 125,000 ordinary shares at a price of A\$0.50 per share pursuant to the exercise of options by an employee under the terms of the Sylvania Resources Option Plan.

As at the end of the quarter, Sylvania had 176,154,273 shares in issue.

A handwritten signature in black ink, appearing 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")

30 September 2007

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	600	600
1.2 Payments for		
(a) exploration and evaluation	(75)	(75)
(b) development	(3,015)	(3,015)
(c) production	(796)	(796)
(d) administration	(1,475)	(1,475)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	284	284
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other	66	66
<b>Net Operating Cash Flows</b>	<b>(4,411)</b>	<b>(4,411)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects		
(b) equity investments	(774)	(774)
(c) other fixed assets	(98)	(98)
1.9 Proceeds from sale of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets		
1.10 Loans to other entities	(13)	(13)
1.11 Loans repaid by other entities	25	25
1.12 Other (provide details if material)		
<b>Net investing cash flows</b>	<b>(860)</b>	<b>(860)</b>
1.13 Total operating and investing cash flows (carried forward)	(5,271)	(5,271)
1.13 Total operating and investing cash flows (brought forward)	(5,271)	(5,271)

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	
1.15	Proceeds from sale of forfeited shares	
1.16	Proceeds from borrowings	538
1.17	Repayment of borrowings	(9)
1.18	Dividends paid	
1.19	Other – capital raising costs	(225)
	<b>Net financing cash flows</b>	<b>304</b>
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	<b>Net increase (decrease) in cash held</b>	<b>(4,967)</b>
1.20	Cash at beginning of quarter/year to date	57,879
1.21	Exchange rate adjustments to item 1.20	(2,961)
1.22	Cash at end of quarter	49,951

**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	382
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

+ See chapter 19 for defined terms.

### 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	714
4.2 Development	4,617
<b>Total</b>	<b>5,331</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	3,934	49,231
5.2 Deposits at call	46,017	8,647
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>49,951</b>	<b>57,878</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			

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**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 Preference securities (description)	-	-		
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	176,154,273	176,154,273	N/A	N/A
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	125,000	125,000	\$0.50	\$0.50 – exercise of options
7.5 +Convertible debt securities (description)	-	-		
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options (description and conversion factor)	625,000 800,000	Nil Nil	Exercise price \$0.50 \$0.75	Expiry date 30 June 2009 30 June 2010
7.8 Issued during quarter				
7.9 Exercised during quarter	125,000	Nil	\$0.50	
7.10 Expired during quarter				
7.11 Debentures (totals only)	-	-		
7.12 Unsecured notes (totals only)	-	-		

+ See chapter 19 for defined terms.

## 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 October 2007

Print name:

Company Secretary  
Mike Langoulant

## Notes

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- 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.

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