

For immediate release

29 September 2010

Sylvania Resources Limited ('Sylvania' or the 'Company')

SYLVANIA RESOURCES LIMITED

ASX: SLV

AIM: SLV

Registration No: 091 415 968

ISIN: AU000000SLV8

SYLVANIA CONSOLIDATES THE OWNERSHIP IN ITS DUMP OPERATIONS AND AMENDS THE SERVICES AND SUPPLY AGREEMENT WITH SAMANCOR

- **Sylvania to acquire the remaining 26% interest in Sylvania Metals Limited ("Sylvania Metals"), which operates the Sylvania Dump Operations ("SDO"), to raise Sylvania to 100% ownership of SDO**
- **Acquisition to occur through a share exchange whereby Sylvania will immediately issue 7,711,888 fully paid ordinary shares and in addition, either make a cash payment equivalent to the value of a further 51,170,663 fully paid ordinary shares, or in Sylvania's discretion and in compliance with the ASX Listing Rules, issue a further 51,170,663 fully paid ordinary shares (or make payment through a combination of cash and shares), in consideration for the 26% interest in Sylvania Metals.**
- **Sylvania amends and extends its Services and Supply Agreement ("S&SA") with Samancor to solidify the excellent ongoing working relationship between Sylvania and Samancor**

Sylvania announces that it has entered into a Share Exchange Agreement in relation to the rationalization of the shareholdings of the SDO such that on completion of the Share Exchange Agreement Sylvania will own 100% of Sylvania Metals, which operates the SDO.

The Share Exchange Agreement is between Sylvania, who currently holds 74% of Sylvania Metals and Africa Asia Capital Limited ("AAC"), a SamancorCr Group company who recently acquired 26% of the shares of Sylvania Metals, which were previously held by Ehlobo Metals Pty Ltd, a Black Empowerment ("BEE") group.

Until now it was not possible for Sylvania to acquire the remaining 26% of the shares of Sylvania Metals as the S&SA required Sylvania Metals to be BEE compliant whilst operating under the S&SA. This requirement has now been waived by Samancor as Sylvania merely acts as a contractor for Samancor (Samancor is fully BEE compliant). Sylvania however still remains BEE compliant as per the MPRDA (Minerals & Petroleum Resources Development Act of South Africa) on its exploration and new mining operations.

The SDO operates 5 platinum plants in the Bushveld complex of South Africa. The plants, namely Millsell, Steelpoort, Mooinooi, Lannex and Doornbosch, have all been constructed and are in various stages of operation. Millsell and Steelpoort have been operating for more than 18 months. Lannex started up in January this year but was temporarily halted for a few months pending the issue of a water permit to commence the construction of the new tailings dam, and Mooinooi and Doornbosch are ramping up to full production.

The share exchange will involve (subject to shareholder approval and if required, approval in accordance with the *Foreign Acquisitions and Takeovers Act 1975 (Cth)*) the issue by Sylvania of a maximum of 58,882,551 fully paid ordinary shares, (which would upon issue comprise 19.5% of Sylvania's share capital as enlarged). Sylvania has agreed to issue 7,711,888 shares immediately to AAC and will seek subsequent ratification of this issue in accordance with ASX Listing Rule 7.4 as well as shareholder approval in accordance with ASX Listing Rule 7.1 for the issue of the remaining 51,170,663 shares to AAC. To this end Sylvania intends to shortly call a meeting of shareholders and if approval is obtained, completion under the Share Exchange Agreement (at which time Sylvania will acquire the 26% interest in Sylvania Metals) should occur within a short time period following the meeting. Further details of the transaction will be set out in the meeting materials expected to be circulated to Sylvania shareholders shortly.

In the event that shareholder approval is not obtained and Sylvania is not able to issue the remaining shares to AAC, Sylvania will instead pay to AAC a cash amount which is equivalent to the value of those shares which it is not able to issue. This cash payment may be made in one lump sum or alternatively, in installments over a period of up to 13 months (in which case completion under the Share Exchange Agreement will not occur until Sylvania has issued at least 36,461,888 shares to AAC, or made the equivalent cash payment, which is required to occur by 30 December 2010).

The quantum of the equivalent cash payment has a floor and ceiling mechanism to allow for any change in share price over the payment period and will be calculated using the volume weighted average share price over a 180 day period prior to the payment of any lump sum or installment to ensure that the cash payment will not exceed the intrinsic value of the shares, subject to a maximum payment value of US\$50 million. In the event that Sylvania is able to issue some but not all of the remaining shares, Sylvania has the option of paying AAC through a mixture of cash and shares.

Sylvania will also pay accrued interest on the outstanding nominal cash balance over the life of the payment schedule adopted by Sylvania

Application has been made for 7,711,888 shares to be admitted to trading on the AIM market of the London Stock Exchange. Admission is expected to become effective on 5 October 2010. Following Admission the Company will have 250,791,142 fully paid ordinary shares on issue.

As part of the Share Exchange Agreement, AAC has undertaken, subject to common exceptions such as a takeover offer or share buy-back, not to sell or otherwise dispose of any Sylvania shares which it receives (with the exception of the 7,711,888 shares which it will receive immediately) for a twelve month period following issue, except with the agreement of Sylvania.



The Share Exchange Agreement also gives AAC the right to nominate two directors to the boards of each of Sylvania and Sylvania Metals. In accordance with the ASX Listing Rules and Sylvania's constitution, those directors appointed to the board of Sylvania will be subject to the same retirement and re-election process as the existing Directors. These additional directors will be appointed to the board of each of Sylvania and Sylvania Metals shortly.

Sylvania and Samancor have renegotiated the S&SA to clarify some of the operational clauses and improve on the current productive working relationship. Sylvania envisages that this newly renegotiated S&SA will provide significant operational benefits for Sylvania and serves to further align the operational interests of both Sylvania and Samancor

Terry McConnachie, CEO of Sylvania commented:

"This agreement has the unanimous support of those Sylvania Directors entitled to vote on the proposed transaction and the acquisition of the remaining 26% in the SDO operations is in our opinion a positive for Sylvania shareholders. It also brings a host of advantages that cannot be explained in direct monetary terms, such as consolidation of the SDO operations, a closer working relationship with Samancor, new directors whom share a vision to grow the business and the potential to explore other opportunities with Samancor."

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