SYLVANIA RESOURCES LIMITED

ABN 80 091 415 968

Annual Report 2010

CONTENTS

CORPORATE DIRECTORY

Directors	T M McConnachie – Managing Director R D Rossiter - Non-Executive Chairman L M Carroll - Finance Director Dr A P Ruiters - Non-Executive Director G M Button - Executive Director
Joint Company Secretary	L M Carroll/G M Button
Principal registered office in Australia	Unit 2 Level 1 Churchill Court 331 – 335 Hay Street Subiaco Western Australia 6008 Australia Telephone: (08) 9226 4777 Facsimile: (08) 9481 5044
Registrar	Computershare Investor Services Pty Limited Reserve Bank Building Level 2 45 St George's Terrace Perth Western Australia 6000 Australia
Auditors	HLB Mann Judd Chartered Accountants Level 4 130 Stirling Street Perth Western Australia 6000 Australia
Solicitors	Allen & Overy Level 27 Exchange Plaza 2 The Esplanade Perth Western Australia 6000 Australia
Nominated Advisor and Broker	Ambrian Partners Limited Old Change House 128 Queen Victoria Street London, EC4V 4BJ United Kingdom
Stock Exchange Listings	Sylvania Resources Limited is listed on the Australian Securities Exchange (Shares:SLV) and on the AIM market of the London Stock Exchange (Shares:SLV)
Website	www.sylvaniaresources.com

Vision

Sylvania's vision is to become the pre-eminent, South African mid-tier PGM producer as measured by its stakeholders, using its metallurgical and engineering expertise to acquire and develop low-risk tailings and shallow mining assets.

Highlights

- Important near-surface exploration assets in the Northern Bushveld Igneous Complex added to Sylvania's PGM producing operations providing an opportunity to create further value;
- Additional 42 diamond drill boreholes yielding 4,200 metres of borehole core was drilled providing a five ton metallurgical bulk sample;
- Year of Plant Construction and Commissioning;
- Agreements to access and develop PGM smelting capacity;
- PGM production increased by 10% to 26,204 ounces;
- Total group revenue increased by 54% to A$31.68 million;
- Three plants commissioned namely Lannex, Mooinooi and Doornbosch.

REVIEW BY THE CHAIRMAN AND CEO

Group Overview and Strategy

We are pleased to report that Sylvania Resources Limited ("Sylvania") has made significant progress towards achieving its vision of becoming a pre-eminent South African mid-tier platinum group metals ("PGM") producer. Sylvania has seen a year of plant construction and commissioning, the addition of significant near surface Platinum Group Element ("PGE") resources and related agreements to access and develop PGM smelting capacity.

These developments support and enhance Sylvania's strategy to build cash generative businesses that fund future growth in the PGM sector. Most importantly, these milestones have been achieved without a single serious accident or safety incident and Sylvania is committed to maintaining its unwavering focus on the health and safety of our workforce.

Total PGM production for the year increased by 10% to 26,204oz (vs 23,813 oz in FY'09), largely as a result of volume improvements related to the ramp up of the new Lannex and Mooinooi plants and steady performance from the Millsell and Steelpoort plants. The ramp up of PGE production was hampered by commissioning issues, regulatory delays at Lannex and reduced supply of fresh feed from a number of chrome mines, which caused Sylvania's plants to rely mostly on older dump material as feed supply. This negatively affected both PGM recoveries which fell to 40% (vs. 55% in FY'09), and the commissioning of the new plants.

Financial Performance

Total group revenue, including that of the chromite tailings retreatment plant ("CTRP"), increased by 54% to A$31.68 million (vs A$20.54 million in FY'09), driven largely by a 58% increase in the average basket price received from US$881/oz in FY'09 to US$1,393/oz in FY'10 and improved production. This was partially offset by the strength of the Rand which resulted in the average basket price received in Rand terms rising by 33%. Earnings before interest, tax, depreciation and amortisation ("EBITDA") of A$10.88 million (vs A$7.49 million in FY'09) were realised. This pleasing result was impacted by a number of non-cash write offs and corporate actions, detailed below, which took place during the financial year and resulted in a net loss after tax for the year amounting to A$8.60 million (vs A$3.76 million in FY'09).

- In FY'08 Sylvania announced an agreement to treat Run of Mine ("ROM") material from Brokenhill, Spitzkop and Buffelsfontein East. First production of the PGMs from the ROM material retreatment was expected in the fourth quarter of 2008. However, with the drastic reduction in the demand for chrome brought on by the onset of the global financial crisis, the planned mining of the ROM material at both Lannex and Mooinooi was placed on hold. In the current financial year, the directors of Sylvania have resolved to take a conservative approach to the accounting of this transaction and a portion of the project generation costs for the ROM project have been applied to the asset valuation of the Lannex plant, resulting in an impairment of A$5.0 million. Post the end of this financial period, the Mooinooi mine has been supplying ROM material to the Sylvania Mooinooi plant. The balance of the carrying value of the investment is thus being depreciated against the Mooinooi portion of the ROM project generation costs over the life of the Sylvania Mooinooi plant.

- Expenditure of A$0.76 million paid to Minex Projects (Pty) Limited for the cancellation of the royalty agreement, together with expenses for Great Australian Resources Limited and SA Metals Limited, amounted to A$1.71 million. Expenses during the year associated with the scheme of arrangement process with the Ruukki Group Plc, which was subsequently cancelled, amounted to A$0.86 million.

- Share based payment expense was increased from A$2.74 million in FY'09 to A$5.10 million in the year ended June 2010. Funds held in GBP currency were converted during the year to Australian dollars which resulted in a foreign exchange loss of A$3.44 million. These funds are now held primarily in Australian dollars.

Sylvania announced in December that it had raised A$18.23 million by way of a placement of 25 million new ordinary shares to a new UK-based institutional investor, M&G Recovery Fund.

SYLVANIA'S KEY FINANCIAL AND PRODUCTION FIGURES

Sylvania Resources Group		2009	2010	% change
Financials				
Revenue	A$m	20.54	31.68	55%
EBITDA	A$m	7.49	11.38	52%
EBIT	A$m	(3.17)	(6.22)	96%
Production				
Total feed to plants*	tons	612,462	980,224	60%
Total PGM (3E + Au) produced*	oz	23,813	26,204	10%
Av R/A$	Rate	0.15101	0.15012	

*Includes CTRP 25%

Health, Safety and Environment

Sylvania continues in its unwavering commitment to the health and safety of all its employees, contractors and sub-contractors, evidenced by the steady decline in our accident frequency rate since 2008. The Sylvania Dump Operations ("SDO") experienced only one Lost Time Injury ("LTI") during the course of the year and, at the end of this financial period, SDO had operated for almost half a million hours, equivalent to 270 calendar days, without an LTI.

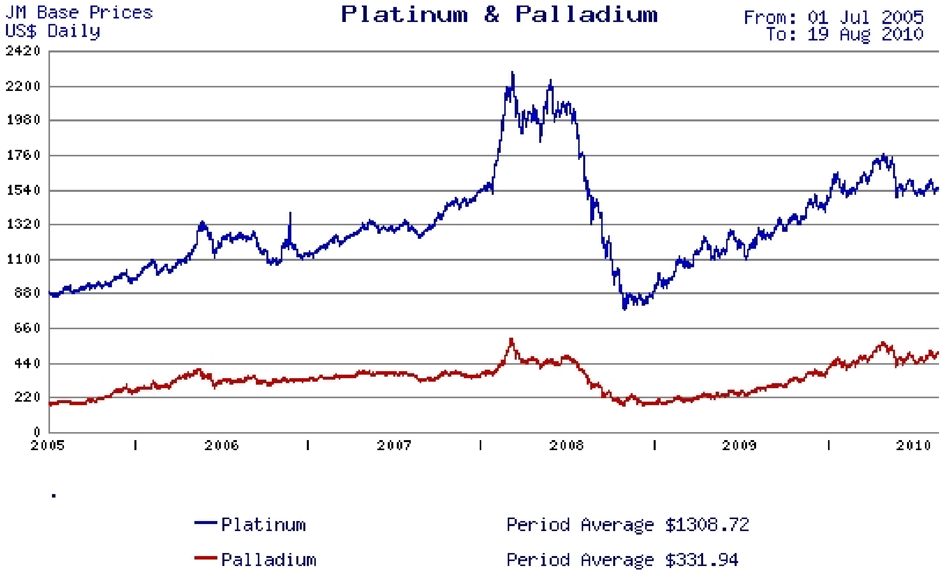
The safety of our workforce remains a management priority, with the aim being a zero accident frequency rate. Sylvania remains compliant with the host mine's safety standards and systems as well as other recognised safety measures. Education of our workforce will continue to be enhanced in the year ahead to build a culture of safe behaviour in our company.

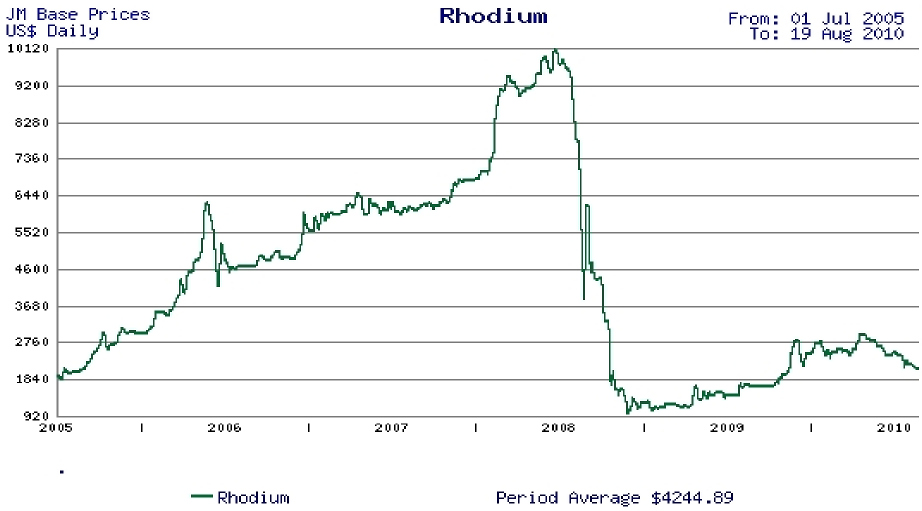
We also strive for zero harm in our physical interaction with the environment. As a company that focuses on the retreatment of mine tailings, Sylvania is firmly committed to implementing sound environmental management practices that are aligned with the host mine's environmental programmes and the National Environmental Management Act, and are measured against the highest international environmental standards. There were no reportable environmental incidents on any of Sylvania's sites during the year ended June 2010.

Markets

The positive trend seen in the second half of 2009 continued into 2010 with platinum prices increasing from US$1,204/oz at the end of June 2009 to a peak of US$1,760/oz, before declining to US$1,553/oz at FY'10 year-end.

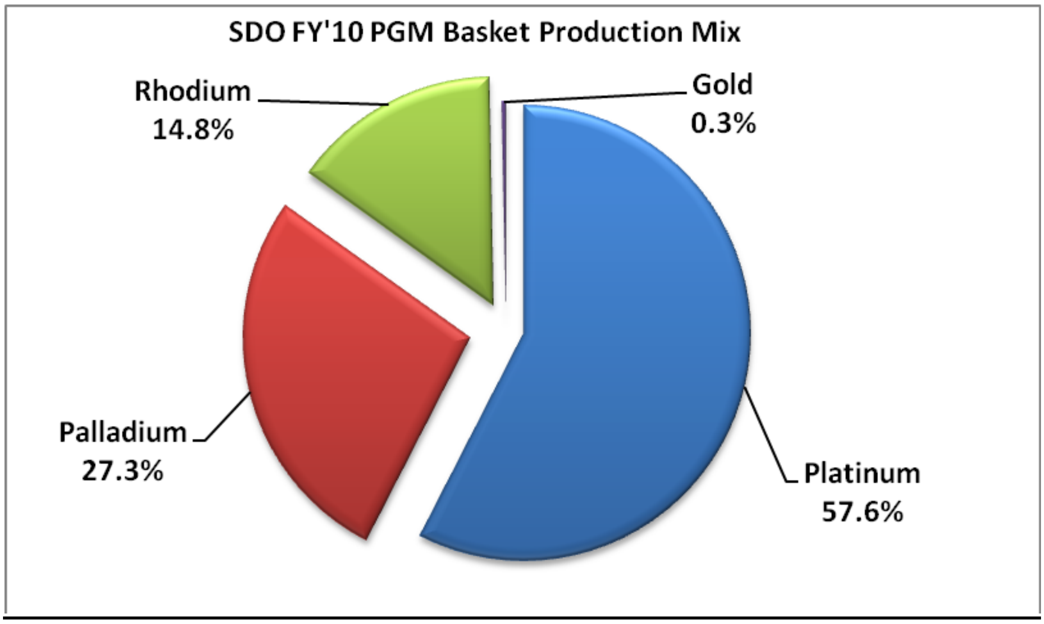
The underlying fundamentals for PGMs remain strong with increased demand expected to slightly exceed supply at the end of 2010. The automobile industry was hard-hit by the financial crisis resulting in a slump in the demand for PGMs for auto catalysts in 2009. Following a period of de-stocking by car companies, signs of an economic recovery are starting to show and the demand for auto catalysts is expected to increase.

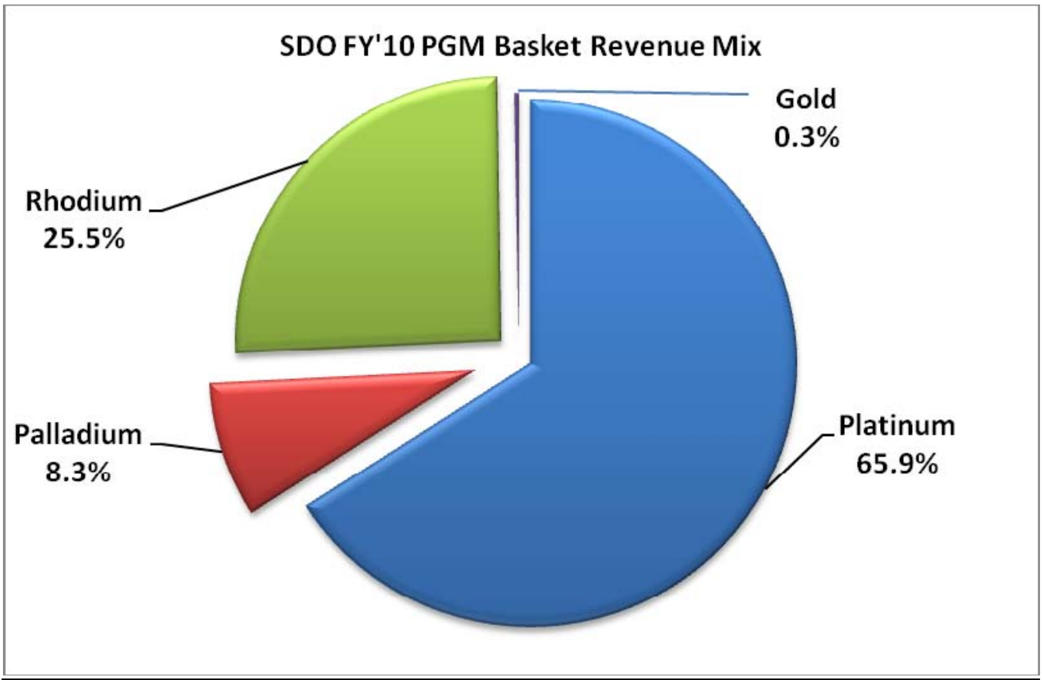




The drop in the rhodium price had a disproportionately large impact on Sylvania's revenue mix given the higher than industry average proportion of rhodium in the company's PGM basket. While Sylvania's production mix remained constant during the financial year, its revenue mix has changed with rhodium now contributing only 26% (vs 36% in FY'09) and platinum is 66% (vs 58% in FY'09). The average gross PGM basket price received by Sylvania, increased by 58% to US$1,393/oz (vs US$881/oz in FY'09).

Production mix and revenue mix of the Sylvania basket





OPERATING PERFORMANCE

During the year, Sylvania's focus has been on the construction of additional plants and increasing ounce production, whilst it continues to strive towards becoming one of the lowest cost producers of PGM's in the industry.

Net cash outflow from operating activities was A$2.6 million (vs net cash inflow of A$19.9 million in FY' 09), due mainly to higher costs associated with the start-up of the new plants.

Total capital expenditure incurred to date on the construction of the five chrome and PGM plants amounted to A$77.6 million.

Capital expenditure to date	30 June 2009 (A$)*	30 June 2010 (A$)*
Millsell	9,879,983	9,709,706
Steelpoort	10,029,554	10,326,720
Lannex	20,243,266	22,424,329
Mooinooi	8,852,845	12,725,635
Mooinooi Tailings Dam	-	6,789,004
Doornbosch	6,443,993	13,601,899
Tweefontein & Elandsdrift	2,107,233	2,030,425
Total	**57,556,874**	**77,607,718**

* Expenditure is incurred in South African Rand and converted at the year-end spot rate

Sylvania Dump Operations ("SDO")

PGM production for the year increased by 11% to 24,605oz (vs 22,107oz in FY'09), and the SDO saw a significant increase in the primary feed material processed to 907kt from 551kt in FY'09. Similarly, the volume of PGM feed tons increased by 86% to 403kt (vs 217kt in FY'09). This increase was largely due to the excellent performance at Millsell and the build-up of production at Lannex, before the suspension of operations in the second half of the year. The unexpected delays experienced at Lannex in obtaining the permissions necessary for the construction of the new tailings dam seriously delayed ramp up to full capacity of the company's biggest plant and had a significant impact on the ounces produced by the group during the last quarter of the period.

The world recession also impacted the company operations as it led to a reduction in current risings received from the host mines which meant that the company had to rely upon a greater proportion of feed from the dump material. This partially oxidised material had a negative impact on PGM recoveries, which fell to 40% (vs 55% in FY'09).

The other issue influencing the reduction in recoveries derives from the volume splits of the various plant feeds. The average float recovery was reduced due to the different types of material treated at the various plants. The Millsell, Steelpoort and Doornbosch plants are treating LG6 material while Lannex and Mooinooi, which both came on line in the previous financial year, treat MG1 and 2 material. A 10% difference in the baseline float recovery between LG and MG material results in a float feed volume variance between the plants for the year under review.

- On average, the cost per PGE ounce produced was higher than in FY'09. Start-up costs and training of new employees to bring Lannex, Mooinooi and Doornbosch to full production contributed to the higher than normal costs.

Statistical Information (SDO) 100%

	Unit	FY 2009	FY 2010	Variance %
Revenue				
Revenue	A$'000	19,319	29,813	54%
Gross basket price	US$/oz	881	1,393	58%
Net basket price	US$/oz	659	1,015	54%
Gross cash margin – SDO	%	47%	43%	-8%
Capital expenditure	A$'000	30,771	22,152	-28%
Ave R/US$ rate	R/US$	9.07	7.55	-17%
SDO Cash Cost				
Per PGM feed ton	A$/t	45	43	4%
Per PGM feed ton	US$/t	33	38	16%
Per 3E & Au oz	A$/oz	440	709	61%
Per 3E & Au oz	US$/oz	321	615	92%
Production				
Plant feed	tons	550,808	907,032	65%
Feed head grade	g/t	2.62	2.52	-4%
PGM plant feed ton	tons	216,971	403,285	86%
PGM plant grade	g/t	5.73	5.02	-12%
PGM plant recovery	%	55.3%	39.9%	-28%
Total 3E and Au	Oz	22,107	24,605	11%

Millsell

The Millsell operation again delivered an outstanding performance for the year. November saw record production of 924 ounces and the plant availability remained stable for the period at above 92% for the entire operation. These favourable results are mainly attributable to increased head grades coming from the mining of the inner core of the main dump, and an increased supply of fines to the PGM plant.

This was also achieved with an impressive quarter-on-quarter reduction in cost per ton, until the fourth quarter where additional arrears electricity charges caused a spike in costs. The average cost for the year was A$12 per feed ton.

With the depletion of the main dump anticipated during the second quarter, FY10, the tailings dam was extended to accommodate new tailings to be processed from the nearby Waterkloof dump. The new Millsell dump will be reworked towards the end of the financial year 2011, as it is still recording grades of approximately 1.4g/ton. However, it is expected that when the new dump is processed, recoveries will be about 23%. This will be lower than those currently being achieved.

Steelpoort

The operation had a slow start to the year with the oxidised dump from the old opencast section of Steelpoort being re-mined, resulting in lower average grade and reduced recoveries.

An investment of A$0.53 million was made into a column cell which will reduce the chrome content in the final concentrate, thus reducing smelter penalties. This cell was commissioned in September 2009. Additional maintenance expenditure on improving float plant uptime in the second quarter saw an improvement to 97%

by year end. In addition to the cell column optimisation, higher feed grade material, changes to the reagents and reagent ratios, and changes to the process flow all contributed to improved production and recoveries in the second half of the year. The average cost for the year was A$20 per feed ton.

Lannex

The focus for the Lannex operation has been on increasing plant availability, float recoveries and achieving consistent concentrate grades. While Lannex showed increased production for the first three quarters, total feed through the plant was restricted due to a limitation on tailings disposal.

The company advised shareholders in April 2010 that operations at the plant would be temporarily suspended until final approvals for the construction of the new tailings facility had been received from the authorities. This decision was based largely on the fact that the inflated operating costs at Lannex, due mainly to the plant operating at only 30% of its design capacity, were impacting negatively on overall SDO cash costs.

The water licence was granted by the Department of Water Affairs in July 2010 and construction of the new tailings dam is expected to be completed by December 2010. An underground backfill project was started to allow production at the Lannex plant to restart at a reduced rate. The project aims to deposit 25,000 tons of course tailings underground over a six month period at a cost of A$0.68 million. Management is confident that the Lannex plant will quickly ramp-up to full design capacity, significantly reducing the unit operating costs in line with those seen at other Sylvania dump operations.

Mooinooi

In November 2009 the first slurry was processed through the Mooinooi plant, the fourth of Sylvania's PGE recovery plants to be commissioned.

The low production levels at the Mooinooi operation during the first part of the year were mainly due to low PGM grade and poor recovery from the outer walls of MG1/2 tailings. This is typical of new operation start-ups and as processing moves towards the inner core of the dump, the grades are expected to show consistent improvement. The breakdown of the new ball-mill shortly after commissioning and the need to redesign the transfer conveyor feeding the scrubber also contributed to the slow start of the plant.

The ROM section was commissioned in June 2010 and management is confident that the ROM material will also improve recovery and grade with a greater percentage of unoxidised feed. The acquisition of the Mooinooi tailings dam and the ROM project will substantially increase the life of the Mooinooi operations. This dump and current arising section has a life of 20 years at current design capacity.

Doornbosch

Doornbosch is the fifth Sylvania PGM recovery plant to be constructed in the Bushveld complex and was commissioned at the end of June 2010 at a capital cost of A$13.6 million, well within the total capital expenditure budget of A$15.3 million. This was achieved without a single lost time injury in the 88,812 hours taken to complete the construction of the plant.

Saleable concentrate is expected to be produced early in the first quarter of the new financial year, with the plant building up to a steady state production. The Doornbosch plant is well positioned to become the lowest cost producer of the Sylvania plants, supporting our strategy of low cost extraction from our tailings dumps.

The plant will be fed from the Doornbosch chrome plant at a rate of approximately 10,000 tons per month of current risings with a head grade of 2.9g/t. This head grade is set to improve once completion of the reef development on the mine is stabilised thus reducing waste dilution. Test work is under way to treat fines from Tweefontein mine and other surrounding dumps to ensure that the capacity of the Doornbosch plant is fully utilised. Planning for the new tailings dam hydro-mining project is advanced and it is expected to balance the feed to the plant, making it more consistent. The monthly concentrate production is estimated to increase to over 1,000 ounces.

Tweefontein

Detailed studies are underway for the planning of the equipment configurations and processing operations for the plant with a view to fast tracking the Tweefontein plant.

Chrome Tailings Retreatment Project ("CTRP")

Statistical Information

	Unit	**FY 2009**	**FY 2010**	**Variance %**
CTRP (25%)				
Revenue				
Revenue	A$'000	1,225	1,863	52%
Basket price	US$/oz	1,241	1,301	5%
Ave R/US$	R/US$	9.03	7.58	-16%
Site Cash Cost				
Per PGM feed ton	A$/t	12.5	13.2	6%
Per PGM feed ton	US$/t	9	11	22%
Per PGM oz	A$/oz	474	603	27%
Per PGM oz	US$/0z	332	521	57%
Production				
Plant feed ton	T	61,654	73,192	19%
Grade	g/t	2.34	2.28	-3%
Recovery	%	38%	30%	-21%
Total 3E and Au	Oz	1,706	1,599	-6%

The unincorporated CTRP JV, which is managed by Aquarius Platinum and 25% owned by Sylvania South Africa (Pty) Limited, experienced a 6% decline in attributable production to 1,599 ounces, compared to 1,706 ounces in FY'09, at a slightly reduced head grade of 2.28g/t (vs 2.34g/t in FY'09). Poor recoveries at the CTRP are attributable mainly to frequent stoppages due to plant instability. This has also resulted in an increased cost of A$129/oz.

Northern Limb Operations

Last year Sylvania took advantage of the depressed economy and the company's relatively robust financial position to build its portfolio of shallow mining resources and gain access to downstream processing capacity. The successful scrip bids for SA Metals and Great Australian Resources, announced last year, have added important near-surface exploration assets in the Northern Bushveld Igneous Complex to Sylvania's existing collection of PGM producing operations, providing an opportunity to create value by realising exploration and production synergies.

Sylvania now has three projects on the Northern limb of the Bushveld Igneous Complex:

The Volspruit Project (formerly Grass Valley)

The Volspruit Project is located on the farm Volspruit 326KR and a portion of the farm Zoetveld 294KR. The two discrete ore bodies – known as the northern and southern orebodies – are part of a faulted complex that is up-thrown approximately 1,200 m from the base of the lower zone of the Bushveld Igneous Complex.

The Company is currently upgrading the orebody classification after drilling an additional 42 diamond drill boreholes yielding 4,200 metres of borehole core which provided a five ton metallurgical bulk sample. The drilling was completed by the end of February 2010 and will be used to upgrade the resource from a historically indicated resource to a measured JORC compliant resource. The bulk sample has been analysed for grade and metallurgical extraction (flotation). Currently preparations are in progress to determine a viable project concept, commencement of the EIA and the preparation for the submission of the mining right application early in 2011. It is expected that the Volspruit definitive feasibility study will be completed in mid-2011 and it is anticipated that the mining right will be awarded early in 2012 when construction of the plant and mine will commence. The commissioning of the first 100,000 t/month plant module is currently scheduled for early 2013.

Hacra Project

The Hacra project comprises three farms on the northern limb of the Bushveld Igneous Complex, Harriet's Wish 393LR, Aurora 397LR and Cracouw 391LR.

A geological model has been constructed from the five new holes that were drilled and the historical boreholes. External consultants are currently conducting an independent review of the geological model prior to submitting proposals for further exploration for ore resource definition.

Aurora Project

The Aurora Project is made up of seven farms: Kransplaats 422LR, Nonnenwerth 421LR, La Pucella 693LR, Altona 696LR, Non Plus Ultra 683LR, Schaffhausen 689LR and Luge 697LR.

Detailed re-logging of selected borehole cores, interpretation of the stratigraphy and the stratigraphic review logging of all boreholes has been completed and a geological model constructed. Management has commissioned an external independent review of the geological model to determine the economic parameters for a pre-feasibility study.

Growth

The five key drivers of Sylvania's long-term strategy to achieve sustained growth in the PGM sector are:

- Operational excellence;
- Increased tailings through current risings and acquisition;
- Near surface exploration and mining;
- Vertical integration to provide Sylvania with downstream processing access; and
- Mergers and acquisitions.

Near surface mining and vertical integration

The three shallow mining projects in the Northern Limb, added to the company's portfolio following the successful acquisition of SA Metals and Great Australian Resources, are considered to be the long-term future of the company with a historically defined collective resource of 13 million ounces, which the company plans to ultimately exploit through the construction of up to eight 100,000 t/month processing plants.

The possibility of being able to smelt this lower grade concentrate, as formulated and tested in the joint venture between Sylvania and Jubilee Platinum, adds significantly to the economics of the project.

Sylvania's access to Jubilee's smelting knowledge and innovative ConRoast technology, combined with Jubilee's access to Sylvania's secondary PGM recovery experience, is set to offer a total capability solution for processing the Northern Limb deposits, for which conventional AC smelting options are not considered optimal.

Jubilee’s industry-accepted ConRoast smelting flexibility offers an environmentally friendly, safe, cost-effective and chrome insensitive smelting solution which can potentially liberate value from a range of PGM resources. Encouragingly, in successful smelting trials of Sylvania’s low grade PGM concentrate by Jubilee in December 2009, a high percentage of PGMs was recovered. The high chrome content posed no risk to PGM recovery, safety or smelter performance, confirming the applicability of Jubilee’s ConRoast technology for the treatment of low grade PGM concentrates.

Sylvania and Jubilee have now entered into a Framework Agreement whereby the activities of the strategic alliance have been agreed.

Mergers and acquisitions

In addition to the successful acquisition of SA Metals and Great Australian Resources, the company embarked on a proposed merger with Ruukki Group Oyj to create a vertically integrated mine to metals PGM and ferrochrome company. However, due to difficulties experienced with the implementation of the merger, Sylvania and Ruukki informed shareholders at the end of October 2009 that the Merger Implementation Agreement had been terminated by mutual agreement. Sylvania continues to consider logical value enhancing acquisitions and industry consolidation opportunities that complement the long term strategic goal of expanding its low-cost tailings retreatment and near surface PGM mining business model.

The ongoing dispute between Sylvania and Aquarius Platinum SA (Pty) Limited regarding Sylvania’s submission of an application for a Mining Right over Mineral Area 2 of the farm Vygenhoek (Everest North) in the Mpumalanga province of South Africa looks set to be settled, via an out of court commercial agreement that will benefit both parties. Internally, the environmental impact assessment is being concluded in anticipation of a settlement.

Black Economic Empowerment

Subsequent to year end, Ehlobo Metals (Pty) Limited, the Black Economic Empowerment shareholder of two of our subsidiary companies, Sylvania Metals (Pty) Limited and Sylvania Minerals (Pty) Limited, disposed of its 26% interest to Africa Asia Capital Limited (“AAC”). Sylvania has entered into an agreement dated 29 September 2010 with AAC to purchase its 26% interest on the terms set out in Note 25 to the accompanying financial statements.

Human Resources

The focus of our organisation to date has been on the recruitment and placement of the right employees with the right skills to support an innovative and expanding company. The focus for the year ahead will shift to the establishment of human resource systems and processes, to ensure effective management of the workforce. A substantial amount of training has taken place in the last year to ensure that skills are relevant and safety procedures are well entrenched.

Recognition agreements were signed with two labour unions during the course of the year. The El Shadaai Workers Union of South Africa was verified as enjoying majority recognition at Steelpoort and sufficient recognition at Lannex, while the National Union of Mineworkers represents the majority at both Millsell and Mooinooi plants. The company is committed to engaging with workforce representatives, within the guidelines of the Labour Relations Act, to ensure a work environment that is in the best interests of all employees.

Board and Management

With the rapid growth and increased complexity of the company, it became necessary to strengthen the management team. We are pleased to welcome Nigel Trevarthen as the Deputy CEO, from 1 September 2010. Nigel brings with him a wealth of mining experience in all aspects of the industry. In particular his knowledge and understanding of mine design and strategic project planning will be invaluable as we look to develop our shallow mining interests in the Northern Limb. Terrence McConnachie, previously Managing Director of the company, becomes its CEO.

In line with the changing circumstances, we are evaluating the Board and its structure with a view to increasing the number of non-executive and independent directors.

Acknowledgement

We are grateful to Sylvania's Board members, executive management and all employees who have contributed towards the Company's exciting, yet challenging development and growth achievements during the year.

Outlook

The gradual improvement in the global economy is strengthening automotive demand for platinum while constraining factors in South Africa are inhibiting supply growth leading to a positive outlook for PGM prices in the medium term.

The Board and Executive Management remain focused on delivering our core strategies. With five plants now completed, our focus is shifting to enhancing performance and cost containment at the operations, successfully bringing the near surface mining assets to account, and implementing the framework agreement with Jubilee Platinum to deliver downstream processing and smelting capacity for low grade concentrates. In addition, Sylvania continues to consider logical value enhancing acquisitions, restructuring and industry consolidation opportunities aimed at transforming the company into a significant PGM producer in the future.

TM McConnachie	R Rossiter
Chief Executive Officer	Non-Executive Chairman

DIRECTORS' REPORT

Your directors present their report on the consolidated entity ("the Group") consisting of Sylvania Resources Limited ("the Company") and the entities it controlled at the end of, or during, the financial year ended 30 June 2010. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of the Directors who held office during or since the end of the year and until the date of this report are as follows. The Directors were in office for this entire period unless otherwise stated.

T M McConnachie	*(Chief Executive Officer)*
R D Rossiter	*(Chairman)*
Dr A P Ruiters	*(Non-executive Director)*
L M Carroll	*(Finance Director)*
G M Button	*(Executive Director)*

Information on Directors

T M McConnachie – Chief Executive Officer

Experience and expertise
Mr McConnachie has over 25 years of experience in mining, benefication of ferroalloys and precious metals. He was the founder of Merafe Resources Limited (formerly South African Chrome & Alloys Limited), a successful chrome mining company, black empowered and listed on the Johannesburg Stock Exchange. He is well known for identifying mining opportunities and has started many new green-field operations in gold, manganese, aluminium, graphite and tantalite. He has been CEO of a number of mining, mining services and smelting companies in South Africa.

Other current directorships
None

Former directorships in the last three years
Ruukki Group Plc (resigned 31 August 2010)
Nyota Minerals Limited (formerly Dwyka Resources Limited (resigned 22 March 2010))

Special responsibilities
Chief Executive Officer
Member of the Remuneration committee

R D Rossiter BSc (Hons) MSc – Non-Executive Chairman

Experience and expertise
Mr Rossiter was appointed in August 2007 and acts as non-executive Chairman. He leads the Board in implementing its strategy of becoming a significant platinum group metal producer. He began his career as a geologist with General Mining Union Corporation in South Africa. He subsequently qualified in mine management and held various production management and business development roles. He later joined the financial sector as a mining analyst and then moved to Australia where he later was responsible for corporate advisory, mergers and acquisitions and divestments.

Other current directorships
Realm Resources Limited (formerly Morning Star Holdings (Australia) Limited)

Former directorships in the last three years
None

Special responsibilities
Non-Executive - Chairman of the Board
Member of the Remuneration and Audit Committees

L M Carroll B Com, MAP, H. Dip. Corporate Law, H. Dip. Property Management, Dip Business Management – Finance Director

Experience and expertise
Mr Carroll was appointed in August 2007 and acts as Finance Director having worked for the Company previously in its South African operations, principally in developing and structuring financial reporting and systems. He has over 40 years experience in the resources industry and has served as executive and non-executive director on a number of private and publicly listed companies. He also served as COO of a listed oil and gas company.

Other current directorships
None

Special responsibilities
Finance Director and Joint Company Secretary
Member of the Remuneration and Audit committees

Dr A P Ruiters BA (Hons), PhD (D.Phil) – Non-Executive Director

Experience and expertise
Dr Ruiters was appointed in August 2007 and joined the Board as non-executive director and provides guidance on project procurement, development and funding. Dr Ruiters is one of the founders of Ehlobo Metals (Pty) Ltd, the Company's Black Economic Empowerment Partner in its tailings retreatment projects in South Africa. Dr Ruiters joined the Public Service in May 1994, after completing a PHD at Oxford University. He has held numerous positions in both the private and public sector, including that of Special Advisor to Trevor Manuel, South Africa's first Competition Commissioner and Director General of the DTI.

Other current directorships
None

Former directorships in the last three years
None

Special responsibilities
Non-Executive Director with special portfolio: Transformation.

G M Button CPA – Executive Director

Experience and expertise
Mr Button was a director and company secretary of Sylvania for four years until June 2007. He rejoined Sylvania as company secretary in January 2009 and was appointed to the Board in May 2009. Mr Button is a qualified accountant with 19 years experience at a senior management level in the resources industry. He has acted as an executive director, managing director, finance director, chief financial officer and company secretary for a range of publicly listed companies.

Other current directorships
Magnum Mining and Exploration Limited
Alamar Resources Limited
Realm Resources Limited (formerly Morning Star Holdings (Australia) Limited)
Ferrum Crescent Limited (formerly Washingon Resources Limited (alternate Director))

Former directorships in the past three years
Washington Resources Limited (1 March 2005 to 1 December 2008)

Special responsibilities
Joint Company Secretary
Member of the Remuneration and Audit committees

Interest in shares and options

The following relevant interests in the shares and options of the Company or related body corporate were held by the directors as at the date of this report:

2010	Common Shares	Options Exercisable at $2.89	Options Exercisable at $1.63
T M McConnachie	500,000	-	1,750,000
R D Rossiter	1,032,000	-	-
L M Carroll	-	-	300,000
Dr A Ruiters	-	200,000	200,000
G M Button	300,000	-	-

2009	Common Shares	Options Exercisable at $0.75	Options Exercisable at $2.89	Options Exercisable at $1.63
T M McConnachie	500,000	-	-	1,750,000
R D Rossiter	1,032,000	-	-	-
L M Carroll	-	200,000	-	300,000
Dr A Ruiters	-	-	200,000	200,000
G M Button	300,000	-	-	-

Company secretary

The Company secretary role is jointly held by L M Carroll and G M Button, both Directors of Sylvania Resources Limited. Please refer to the above Information on Directors section for further details.

Principal activities

The principal activity of the Group during the financial year was investment in mineral exploration and mineral treatment projects. As new mineral treatment plants become operational, focus will be concentrated on operations.

Dividends

No dividend has been paid or declared since the start of the financial year and the directors do not recommend the payment of a dividend in respect of the financial year.

Review of operations

Operating results for the year

The consolidated loss of the Group for the year after income tax expense and non-controlling interest was A$7,925,116 (2009: consolidated profit A$3,524,073).

Highlights during the year included:

- Acquisition of SA Metals Limited ("SA Metals") and Great Australian Resources Limited ("GAU");
- Production from Sylvania dump operations was 24,605 PGM ounces;
- CTRP contribution was 1,599 PGM ounces;
- Doornbosch plant was constructed under budget and commissioned in FY2010;
- Mooinooi run of mine ("ROM") commissioned in June 2010;
- Rights to the Mooinooi Tailings Dump purchased from Western Platinum Limited ("Lonmin")
- Volspruit project (formerly Grass Valley) resource being upgraded from a historically indicated resource to a measured JORC compliant resource;
- Strategic alliance entered into with Jubilee Platinum Plc ("Jubilee");
- A$18 million raised from a 25 million share placement at 40p (approximately A$0.72);
- Appointment of Nigel Trevarthen as Deputy CEO

Financial results:

- The average 3E+Au basket price was US$1,393/oz;
- Revenue from Sylvania Dump Operations ("SDO") ordinary activities for the year increased from A$19.3 million in 2009 to A$29.8 million;
- The cash balance at 30 June 2010 was A$23.5 million;
- Consolidated loss per share for the year ended 30 June 2010 – 3.53 cents;
- Partial impairment of the mining property resulting in a A$5 million expense;
- Share based payment expense of A$5.1 million for the year ended 30 June 2010.

Vygenhoek mining application (Everest North)

On 24 May 2005, a wholly owned subsidiary of Sylvania, Sylvania SA (Pty) Ltd ("SA") entered into an agreement with Aquarius Platinum SA (Pty) Ltd ("AQPSA"), whereby SA was appointed as an agent for AQPSA to apply for the mining right for PGMs over Mineral Area 2 of the Vygenhoek 10TJ farm, in the Lydenburg magisterial district.

Upon completion of the required exploration work, SA submitted the application for the mining right, however AQPSA disputed SA's right to do so and the matter was referred to arbitration.

An arbitration hearing date was set for July 2010, however in June 2010 both parties agreed to explore the possibility of a commercial settlement that would be beneficial to both SA and AQPSA. Should an agreement not be reached between SA and AQPSA the matter will then be heard by the Arbitrator on a date to be arranged.

Acquisition of Great Australian Resources Limited and SA Metals Limited

In the previous financial year Sylvania announced its intention to make two off-market takeover bids for all the ordinary shares of GAU and SA Metals.

A bidder's statement detailing the terms of the offers was sent to both GAU and SA Metals shareholders on 10 July 2009. The all scrip offer for SA Metals was based on 1 Sylvania share for every 10 SA Metals shares.

Similarly, the all scrip offer for GAU was based on 1 Sylvania share for every 12 GAU shares held. Both offers closed on 11 August 2009.

Sylvania acquired the relevant interest of over 90% of the issued shares in SA Metals by 6 August 2009 and on 7 August 2009 announced that it would be proceeding with the compulsory acquisition of the remaining SA Metals shares pursuant to Chapter 6A of the Corporations Act. The compulsory acquisition was completed on 24 September 2009 and Sylvania became the holder of 100% of issued capital in SA Metals.

SA Metals was delisted from the Australian Securities Exchange on 9 September 2009 and was converted to a Proprietary Limited company on 23 April 2010.

After the close of the GAU offer, on 12 August 2009, Sylvania announced that it had acquired 89.82% of the issued shares in GAU and that compulsory acquisition could not proceed. Sylvania was subsequently advised by its share registry that a further 50,000 acceptances were received prior to 5.00pm (WST) on 11 August 2009. This gave Sylvania a 89.86% interest in the shareholding of GAU. Sylvania was further advised by its share registry that a number of late acceptances were received after the close of the offer.

An application to the Federal Court of Australia for an order pursuant to the Corporations Act, that Sylvania may compulsorily acquire the remaining shares in GAU, was lodged on 14 August 2009. The application was successful and on 24 August 2009, Sylvania announced that it would proceed with the compulsory acquisition of the remaining shares in GAU.

On 16 October 2009, the Company announced that the compulsory acquisition of the remaining shares of GAU had been completed and that Sylvania holds 100% of the issued share capital in GAU. GAU was delisted from the Australian Securities Exchange on 16 December 2009 and was converted to a Proprietary Limited company on 20 May 2010.

SA Metals Royalty Agreement

Prior to the acquisition of SA Metals by Sylvania, a Royalty Agreement existed between SA Metals and Minex Projects (Pty) Ltd ("Minex"). This agreement entitled Minex to a future royalty of 3% on sales of minerals extracted from certain defined properties where SA Metals holds minerals rights. Sylvania successfully negotiated the cancellation of this agreement with Minex and concluded a new agreement whereby Sylvania paid R5 million and will issue 3,000,000 Sylvania shares in full and final settlement. This represents a substantial discount to the value of the initial claim.

The payment was split into an initial R1 million on signing of the agreement and the remaining R4 million once Sylvania had conducted metallurgical testwork to its reasonable satisfaction. This metallurgical testwork was completed by 30 June 2010 as agreed and the balance of the amount owing was paid in July 2010.

The issue of the 3 million Sylvania shares, which will be issued in tranches of 500,000 on a six monthly basis, is pending receipt of South African Reserve Bank approval by Minex.

Termination of the proposed Ruukki/Sylvania merger

On 30 June 2009, Sylvania and Ruukki Group Oyj ("Ruukki") entered into a Merger Implementation Agreement ("MIA") in relation to a potential merger between Sylvania and Ruukki ("Proposed Ruukki Merger"), with the aim of creating an integrated mine to metals PGM and ferrochrome company. Under the Proposed Ruukki Merger, each Sylvania shareholder would have received 1 Ruukki share for every 1.81 Sylvania shares held under an Australian law governed scheme of arrangement ("Scheme").

Due to a number of complications experienced with the implementation of the planned merger, the MIA was terminated by mutual agreement and the Scheme did not proceed.

Black economic empowerment

Subsequent to year end, Ehlobo Metals (Pty) Limited, the Black economic empowerment shareholder of two of our subsidiary companies, Sylvania Metals (Pty) Limited and Sylvania Minerals (Pty) Limited, disposed of its 26% interest to Africa Asia Capital Limited ("AAC"). Sylvania has entered into an agreement dated 29 September 2010 with AAC to purchase its 26% interest on the terms set out in Note 25 to the accompanying financial statements.

Jubilee/Sylvania alliance

A joint announcement was made by Sylvania and Jubilee on 2 November 2009 detailing their intention to partner in order to provide a total capacity solution for the processing of the Platinum Group Metals ("PGMs") to the secondary PGM sector. On 4 February 2010, Sylvania and Jubilee announced that they had entered into a Framework Agreement whereby both parties have agreed to incorporate a company to undertake the smelting and refining activities using the ConRoast technology. Sylvania will hold a 30% interest in this company. A second company will be incorporated to undertake the processing of future platinum tailings opportunities. Sylvania will hold a 50% interest in this second company.

To date successful results have been obtained from smelting trials using the ConRoast technology, with approximately 99% recovery of the PGMs recorded for low PGE grade (85g/t 6E), high chrome content (7%) concentrate. Further smelting trials are being conducted on the low grade concentrates produced from the bulk sampling at Volspruit. The alliance offers a chrome insensitive smelting solution which is safe, cost effective and environmentally friendly.

Mooinooi tailings dump

On 1 December 2009, Sylvania entered into an agreement with Lonmin to acquire its rights to exploit the PGE tailings on the Mooinooi tailings dumps and the current risings derived from Samancor's chrome mining activities in the MG1 seam under Lonmin's land.

A commercial agreement was entered into between Samancor and Lonmin whereby Samancor mined for chrome on a property owned by Lonmin and in the process also extracted PGM's. This resulted in Lonmin holding the rights to a portion of the Mooinooi tailings dumps. Sylvania agreed to purchase these rights for a total of R45 million (A$6.6 million) of which the full amount was settled on 29 January 2010.

Appointment of new Deputy CEO

On 30 June 2010, Nigel Trevarthen was announced as the new Deputy Chief Executive Officer of Sylvania. Nigel joined the Company on 1 September 2010 in a non-board capacity and his main focus will be on operations in South Africa. Terry McConnachie is now the Company's Chief Executive Officer.

Nigel obtained a Bachelor of Science in Mining Engineering from the London School of Mining. He joined the Anglo Group after completing his studies and has most recently returned from Guinea where he was the Managing Director of the Siguri Mine. He held a number of management positions within AngloGold and gained both operational and corporate experience. This experience will assist Sylvania in its expansion plans and in achieving its long-term strategy to achieve sustained growth in the PGM sector.

Significant changes in the state of affairs

Other than the above corporate transactions, there have been no significant changes in the state of affairs of the consolidated entity to the date of this report.

Likely developments and expected results

Additional comments on expected results of certain operations of the Group are included in the review of operations and activities in the Chairman and CEO report.

Environmental legislation

The Group is subject to significant environmental legal regulations in respect of its exploration and evaluation activities in South Africa. There have been no known breaches of these regulations and principles by the Group.

Meetings of directors

During the financial year there were 3 formal directors' meetings. All other matters that required formal Board resolutions were dealt with via written circular resolutions and through the holding of conference calls. In addition, the directors met on an informal basis at regular intervals during the year to discuss the Group's affairs.

The numbers of meetings of the Company's Board of Directors attended by each director were:

	Board Meetings		Audit Committee Meetings	
	Number of meetings eligible to attend	Number of meetings attended	Number of meetings eligible to attend	Number of meetings attended
T M McConnachie	3	3	-	-
R D Rossiter	3	3	2	2
L M Carroll	3	3	2	2
Dr A P Ruiters	3	2	-	-
G M Button	3	3	2	2

Remuneration report (Audited)

The key management personnel of the Group are the directors of the Company and those executives that report directly to the Chief Executive Officer.

The directors are:

- T M McConnachie - Chief Executive Officer;
- R D Rossiter - Chairman;
- L M Carroll - Finance Director and Joint Company Secretary;
- G M Button - Executive Director and Joint Company Secretary; and
- A P Ruiters - Non-Executive Director with special portfolio: Transformation.

The executives are:

- Z Marinkovic - Director: Sylvania Metals (Proprietary) Limited;
- Dr P J Cox - Strategic Planner;
- J Meyer - Managing Director: Sylvania Metals (Proprietary) Limited;
- C de Vos - Internal legal advisor; and
- P Carter - General manager: Exploration.

Details of directors' and executives' remuneration are set out under the following main headings:

A Principles used to determine the nature and amount of remuneration;
B Details of remuneration;
C Consultancy agreements; and
D Share-based compensation.

A Principles used to determine the nature and amount of remuneration

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aims to align executive reward with the creation of value for shareholders. The key criteria for good reward governance practices adopted by the Board are:

- Competitiveness and reasonableness;
- Acceptability to shareholders;
- Performance incentives;
- Transparency; and
- Capital management.

The framework provides a mix of fixed fee, consultancy agreement based remuneration and share based incentives.

The broad remuneration policy for determining the nature and amount of emoluments of Board members and senior executives of the Company is governed by a Board Remuneration Committee.

The Remuneration committee acts in accordance with a written Remuneration Committee Charter. The Remuneration Committee's aim is to ensure the remuneration packages properly reflect directors and executives' duties and responsibilities. The Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention and motivation of a high quality Board and executive team.

The new remuneration policy adopted is that in certain circumstances elements of any director/executive package be directly related to the Company's financial performance. The overall remuneration policy framework however is structured in an endeavour to advance/create shareholder wealth.

This policy has not changed over the past seven financial years.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board and are intended to be in line with the market. Directors are not present at any discussions relating to determination of their own remuneration.

Directors' fees

Some of the directors perform at least some executive or consultancy services. However, each of the directors receives a separate fixed fee for their services as directors, as the Board considers it important to distinguish between the executive and non-executive roles held by those individuals.

The maximum aggregate remuneration for the directors was last determined at the Annual General Meeting held on 30 November 2005, when shareholders approved an aggregate remuneration of $300,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external shareholders as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Retirement allowances for directors

Apart from superannuation payments paid on base director fees, there are no retirement allowances for directors.

Executive pay

The executive pay and reward framework has the following components:

- Base pay and benefits such as superannuation;
- Short-term performance incentives; and
- Long-term incentives through participation in the Employee Share and Option Plan.

Base pay

All executives are either full time employees or consultants that currently receive a fixed monthly retainer as agreed with the Company. The provision of Consultancy Services has been formalised in individual Consultancy Agreements.

Benefits

Apart from superannuation paid on directors' fees and executive salaries there are no additional benefits to executives, other than discretionary bonuses as detailed below.

Short term performance incentives

There are no current short term incentive remuneration arrangements, however the remuneration committee is currently reviewing this as an incentive for employees and have proposals to be submitted to the Board of Directors. Cash bonuses based on performance are paid to directors and key personnel from time to time at the discretion of the Board.

Employee share and option plan

To ensure that the Company has appropriate mechanisms in place to attract and retain the services of suitable directors and employees, the Company has established the Sylvania share plan and option plan, which were approved by shareholders on 26 October 2007 at the Company's Annual general meeting.

The number of ordinary shares or options that may be offered to a participant is at the discretion of the Board of Directors of Sylvania.

B Principles used to determine the nature and amount of remuneration

The key management personnel of the Group are the directors of the Company and those executives that report directly to the Chief Executive Officer. Details of directors and key personnel contracts are as follows:

Name & Designation	Duration of Contract	Period of Notice to Terminate (in months)	Termination Payments Under Contract
Directors			
T M McConnachie – Managing Director	Fixed term until 31 Dec 2011	3	12 months
R D Rossiter – Chairman	Indefinite	3	12 months
L M Carroll – Finance Director	Fixed term until 31 July 2011	6	12 months
G M Button – Joint Secretary	Fixed term until 31 May 2011	3	6 months
Key management personnel			
Z Marinkovic – Director: Sylvania Metals (Pty) Ltd	Indefinite	1	None
Dr P J Cox – Strategic Planner	Fixed term until 31 July 2011	6	12 months
J Meyer – Managing Director: Sylvania Metals (Pty) Ltd	Fixed term until 31 July 2011	6	12 months
C de Vos – Internal legal advisor	Fixed term until 31 July 2011	6	12 months
P Carter – General manager: Exploration	Fixed term until 31 July 2011	6	12 months

Table 1: Key management personnel 2010

2010	Short Term Benefits			Post-employment benefits	Share-based payment	TOTAL	Options as % of total remuneration	Perform-ance related %
Name	Cash salary/ consulting fees $	Bonus* $	Directors' fees $	Super-Annuation $	Equity Shares/ Options $	$		
Directors								
T M McConnachie	431,105	100,000	60,000	-	-	591,105	-	16.92%
R D Rossiter	261,039	100,000	60,000	5,400	-	426,439	-	23.45%
L M Carroll	255,133	100,000	60,000	-	-	415,133	-	24.09%
Dr A P Ruiters	-	-	60,000	-	-	60,000	-	-
G M Button	216,629	100,000	60,000	5,400	-	382,029	-	26.18%
Key management personnel								
Z Marinkovic	201,695	23,938	-	-	-	225,633	-	10.61%
Dr P J Cox	218,744	21,066	-	-	-	239,810	-	8.78%
J Meyer	234,688	-	-	-	-	234,688	-	-
C de Vos	296,768	-	-	-	-	296,768	-	-
P Carter	225,180	-	-	-	-	225,180	-	-
TOTAL	**2,340,981**	**445,004**	**300,000**	**10,800**	**-**	**3,096,785**	**-**	**14.37%**

Table 2 : Key management personnel 2009

2009	Short Term Benefits			Post-employment benefits	Share-based payment	TOTAL	Options as % of total remuneration	Perform-ance related %
Name	Cash salary/ consulting fees $	Bonus* $	Directors' fees $	Super-Annuation $	Equity Shares/ Options $	$		
Directors								
T M McConnachie	492,913	-	60,000	-	99,378	652,291	15.2%	15.2%
R D Rossiter	243,375	-	60,000	5,400	371,674	680,449	54.6%	54.6%
L M Carroll	244,997	19,188	60,000	-	21,954	346,139	6.3%	11.9%
Dr A Ruiters	-	-	60,000	-	142,971	202,971	70.4%	70.4%
Dr E Kirby	40,626	-	8,054	724	-	49,404	-	-
G M Button	107,083	-	9,613	865	-	117,561	-	-
J Cooke	-	-	42,246	3,802	17,056	63,104	27.0%	27.0%
Key management personnel								
J Meyer	173,410	18,876	-	-	98,836	291,122	33.9%	40.4%
Z Marinkovic	229,762	14,568	-	-	95,784	340,114	28.2%	32.4%
C De Vos	238,596	18,876	-	-	104,437	361,909	28.9%	34.1%
P R Carter	248,260	21,292	-	-	100,703	370,255	27.2%	32.9%
Dr P J Cox	201,719	16,611	-	-	211,434	429,764	49.2%	53.1%
TOTAL	**2,220,741**	**109,411**	**299,913**	**10,791**	**1,264,227**	**3,905,083**	**32.4%**	**35.2%**

* Cash bonuses were awarded to Directors and key personnel based on individual performance.

Option holding of key management personnel (Consolidated)

2010 Names	Balance at start of year	Granted during year (i)	Exercised during year	Other changes during year (ii)	Balance at end of the year	Vested and exercisable at the end of the year	% granted and vested during the year (i)
Directors							
T M McConnachie	1,750,000	-	-	-	1,750,000	875,000	-
Dr A P Ruiters	400,000	-	-	-	400,000	300,000	-
L M Carroll	500,000	-	-	(200,000)	300,000	150,000	-
Key management personnel							
Z Marinkovic	600,000	-	-	-	600,000	300,000	-
Dr P J Cox	700,000	-	-	-	700,000	450,000	-
J Meyer	900,000	-	-	(100,000)	800,000	400,000	-
C de Vos	900,000	-	-	(100,000)	800,000	400,000	-
P Carter	800,000	-	-	(200,000)	600,000	300,000	-

(i) No options were granted during the year ended 30 June 2010
(ii) Options expired at 30 June 2010

Option holding of key management personnel (Consolidated)

2009 Names	Balance at start of year	Granted during year	Exercised during year	Other changes during year	Balance at end of the year	Vested and exercisable at the end of the year	% granted and vested during the year (iii)
Directors							
T M McConnachie	500,000	1,750,000	(500,000)	-	1,750,000	-	-
Dr A P Ruiters	200,000	200,000	-	-	400,000	100,000	-
L M Carroll	200,000	300,000	-	-	500,000	200,000	-
Key management personnel							
J Meyer	100,000	800,000	-	-	900,000	100,000	-
Z Marinkovic	-	600,000	-	-	600,000	-	-
C De Vos	100,000	800,000	-	-	900,000	100,000	-
P R Carter	200,000	600,000	-	-	800,000	200,000	-
Dr P J Cox	200,000	500,000	-	-	700,000	100,000	-

(iii) None of the options granted during the year had vested at 30 June 2009

Shareholding of key management personnel (Consolidated)

The number of shares in the Company held during the year by each director of the Company and key management personnel of the Group, including their personally related parties, are set out below:

2010 Names	Balance at the start of the year	Issued under share and option plan	Other changes during the year	Balance at end of the year
Directors				
T M McConnachie	500,000	-	-	500,000
R D Rossiter	1,032,000	-	-	1,032,000
G M Button	300,000	-	-	300,000

2009 Names	Balance at the start of the year	Issued under share and option plan	Other changes during the year	Balance at end of the year
Directors				
T M McConnachie	-	-	500,000	500,000
R D Rossiter	532,000	500,000	-	1,032,000
Dr E Kirby	389,300	-	(389,300)	-
G M Button	-	-	300,000	300,000

C Consultancy agreements

Formal Consultancy Agreements are made with the Company and all of its directors.

The details of the Managing Director's Consultancy Agreement are summarised below:

Engagement

The Company engages the Consultant to provide the Company with the consultancy services during the term, on and subject to the terms of the Agreement, and the Consultant accepts the engagement.

Term

The initial term of the engagement commences on 1 August 2006 and continues for five years, unless that period is extended or terminated in accordance with the following summarised terms:

- **Extension of term**
  Following the completion of the term indicated above, if the parties agree, the engagement will be extended for rolling periods of one year thereafter;

- **Termination by Company**
  The Company may immediately terminate the Agreement by giving written notice to the Consultant;

- **Entitlements on Termination**
  Upon termination of the Agreement the Consultant (pursuant to additional clauses) is entitled to the consultancy fee up to and including the date of termination.

- **Termination by notice by Company or Consultant**
  The Agreement may be terminated without cause by either the Company or the Consultant upon giving the other party notice in writing for a period of 6 months or the Company paying 12 months consultancy fee in lieu of notice.

Remuneration

In consideration for the consultancy services, the Company will pay the consultancy fee to the Consultant in monthly instalments in arrears at the end of each month. In addition, the Company may, if the Board (following a recommendation by the Remuneration Committee) so resolves, offer to the Consultant or the nominated executive, securities in accordance with the Company's share or option incentive plan.

D Share-based compensation

Employee option plan

Participants of the plan are determined by the Board and can be employees and directors of, or consultants to, the Company or a controlled entity. The Board considers length of service, seniority, responsibilities, potential contribution and any other relevant matters in determining eligibility of potential participants. The Board has sole responsibility to determine the number of options and terms and conditions of options granted to any participant.

Options are granted under the plan for no consideration. Options are granted for a three year period and 50% of each tranche vests and are exercisable on each anniversary of the grant date.

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

Grant date	Expiry date	Exercise Price	Fair value per option at grant date	Vesting dates
17 October 2006	30 June 2010	$0.75	$0.33	50% after 17 October 2007 50% after 17 October 2008
17 March 2008	30 June 2011	$2.89	$1.08	50% after 17 March 2009 50% after 17 March 2010
17 March 2008	30 June 2011	$2.67	$1.14	50% after 17 March 2009 50% after 17 March 2010

Grant date	Expiry date	Exercise Price	Fair value per option at grant date	Vesting dates
18 August 2008	30 June 2011	$1.63	$0.43	50% after 18 August 2009 50% after 18 August 2010
18 December 2008	30 June 2011	$1.63	$0.15	50% after 18 December 2009 50% after 18 December 2010
10 June 2009	10 June 2012	$1.05	$0.91	50% after 10 June 2010 50% after 10 June 2011

Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share. The exercise price of options is based on the weighted average price at which the Company's shares are traded on the Australian Securities Exchange during the five trading days immediately before the options are granted.

Details of options over ordinary shares in the Company provided as remuneration to each director of the Company and each of the key management personnel of the Group are set out below. Further information on the options is set out in note 19 to the financial statements.

Directors and officers	Number of options granted during the year		Number of options vested during the year	
	2010	2009	2010	2009
T M McConnachie	-	1,750,000	875,000	-
L M Carroll	-	300,000	150,000	100,000
Dr A P Ruiters	-	200,000	200,000	100,000
Z Marinkovic	-	600,000	300,000	-
Dr P J Cox	-	500,000	350,000	100,000
J Meyer	-	800,000	400,000	100,000
C de Vos	-	800,000	400,000	100,000
P Carter	-	600,000	300,000	100,000

Options granted, exercised and lapsed during the year to directors and executives:

Directors and officers	Value of options granted at the grant date $	Value of options exercised at the exercise date $	Value of options lapsed at the date of lapse $
L M Carroll	-	-	150,000
J Meyer	-	-	75,000
C de Vos	-	-	75,000
P Carter	-	-	150,000

The assessed fair value at grant date of options granted to individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Black and Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

No share options were granted during or subsequent to the financial year ended 30 June 2010.

Employee share plan

An Employee Incentive Share Plan was approved at the 2007 Annual General Meeting.

Participants of the plan are determined by the Board and can be employees and directors of, or consultants to, the Company or a controlled entity. The Board considers length of service, seniority, responsibilities, potential contribution and any other relevant matters in determining eligibility of potential participants.

The issue price for the shares issued under the plan are not less than the weighted average share price for the last five trading days immediately preceding the offer to the participant.

A participant who is invited to subscribe for shares under the plan may also be invited to apply for a loan up to the amount payable in respect of the shares accepted by the participant. These loans are to be made on the following terms:

- Applied directly against the issue price of the shares to be acquired under the plan;
- For a term to be determined by the Board;
- Repayable to the extent of the lesser of the issue price of the relevant shares issued, less any cash dividends applied against the outstanding principal, and the last market sale price of the shares on the date of repayment of the loan;
- The loan must be repaid in full prior to expiry of the loan;
- The Company will have a lien over the shares in respect of which a loan is outstanding;
- Shares issued under the plan are not transferable while a loan amount in respect of those shares remains payable; and
- Shares issued under the share plan will not be quoted on a publicly traded stock market while a loan amount in respect of those shares remains payable.

The market value of the option implicit in the share issued under the plan (funded by way of a loan on the conditions noted above), measured using the Black and Scholes option pricing model, is recognised in the financial statements as equity benefits reserve and as employee benefit costs over the period the shares vest.

Details of employee shares affecting remuneration in the previous, this or future reporting periods are as follows:

Grant date	Issue price	Fair value of option implicit in share at grant date	Vesting period
20 December 2006	$0.90	$0.23	50% after 20 December 2007 50% after 20 December 2008
17 March 2008	$2.89	$1.08	50% after 17 March 2009 50% after 17 March 2010
17 March 2008	$2.67	$1.14	50% after 17 March 2009 50% after 17 March 2010
18 August 2008	$1.63	$0.43	50% after 18 August 2009 50% after 18 August 2010
23 December 2008	$1.63	$0.15	50% after 23 December 2009 50% after 23 December 2010

Details of ordinary shares in the Company provided as remuneration to each director of the Company and each of the key management personnel of the Group are set out below. Further information on the shares is set out in note 28 to the financial statements. These were issued under the Company employee share plan via a non-recourse interest free loan.

	Number of shares granted during the year		Number of shares vested during the year	
	2010	2009	2010	2009
R D Rossiter	-	500,000	500,000	250,000
J Cooke	-	200,000	100,000	-

Shares under option

At the date of this report, the only unissued shares of the Company under option were those issued under the share option plan. Outstanding share options at the date of this report are as follows:

Grant Date	Date of expiry	Exercise price	Number of options
17 March 2008	30 June 2011	$2.89	400,000
17 March 2008	30 June 2011	$2.67	600,000
18 August 2008	30 June 2011	$1.63	3,383,000
18 December 2008	30 June 2011	$1.63	2,250,000
10 June 2009	30 June 2012	$1.05	6,000,000

No option holder has any right under the options to participate in any other share issue of the Company or any controlled entity.

Shares issued on the exercise of options

The Company did not issue any ordinary shares during or since the end of the year ended 30 June 2010 on the exercise of options granted under the share option plan.

Indemnification and insurance of Directors and Officers

During the year the Company paid premiums in respect of a contract insuring all directors and officers of the Company against liabilities incurred as directors or officers to the extent permitted by the Corporations Act 2001. Due to confidentiality clauses in the contract the amount of the premium has not been disclosed. The Company has no insurance policy in place that indemnifies the Company's auditors.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

Auditor independence and non-audit services

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declarations is set out on page 33 and forms part of this directors' report for the year ended 30 June 2010.

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 27 to the financial statements. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the integrity and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board.

Signed in accordance with a resolution of the directors.

T M McConnachie
Managing Director
Johannesburg, South Africa
29 September 2010

HLB Mann Judd

Accountants | Business and Financial Advisers

Auditor's Independence Declaration

As lead auditor for the audit of the financial report of Sylvania Resources Limited for the year ended 30 June 2010, 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 audit; and

b) any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Sylvania Resources Limited

Perth, Western Australia
29 September 2010

M R W OHM
Partner, HLB Mann Judd

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4, 130 Stirling Street Perth WA 6000. PO Box 8124 Perth BC 6849 Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au

Statement

Sylvania Resources Limited ("**Company**") has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this statement. Commensurate with the spirit of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("**Principles & Recommendations**"), the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and reason for the adoption of its own practice, in compliance with the "if not, why not" regime.

Disclosure of Corporate Governance Practices

Summary Statement

	ASX P & R[1]	If not, why not[2]		ASX P & R[1]	If not, why not[2]
Recommendation 1.1	✓		Recommendation 4.3	✓	
Recommendation 1.2	✓		Recommendation 4.4[3]	n/a	n/a
Recommendation 1.3[3]	n/a	n/a	Recommendation 5.1	✓	
Recommendation 2.1		✓	Recommendation 5.2[3]	n/a	n/a
Recommendation 2.2	✓		Recommendation 6.1	✓	
Recommendation 2.3	✓		Recommendation 6.2[3]	n/a	n/a
Recommendation 2.4		✓	Recommendation 7.1	✓	
Recommendation 2.5	✓		Recommendation 7.2	✓	
Recommendation 2.6[3]	n/a	n/a	Recommendation 7.3	✓	
Recommendation 3.1	✓		Recommendation 7.4[3]	n/a	n/a
Recommendation 3.2	✓		Recommendation 8.1		✓
Recommendation 3.3[3]	n/a	n/a	Recommendation 8.2	✓	
Recommendation 4.1	✓		Recommendation 8.3[3]	n/a	n/a
Recommendation 4.2		✓			

1 Indicates where the Company has followed the Principles & Recommendations.
2 Indicates where the Company has provided "if not, why not" disclosure.
3 Indicates an information based recommendation. Information based recommendations are not adopted or reported against using "if not, why not" disclosure – information required is either provided or it is not.

Website Disclosures

Further information about the Company's charters, policies and procedures may be found at the Company's website at www.sylvaniaresources.com, under the section marked Corporate Governance. A list of the charters, policies and procedures which are referred to in this Corporate Governance Statement, together with the recommendations to which they relate, are set out below.

Charters	**Recommendation(s)**
Board	1.3
Audit Committee	4.4
Nomination Committee	2.6
Remuneration Committee	8.3
Policies and Procedures	
Policy and Procedure for Selection and (Re)Appointment of Directors	2.6
Process for Performance Evaluation	1.2, 2.5
Policy on Assessing the Independence of Directors	2.6
Policy for Trading in Company Securities (summary)	3.2, 3.3
Code of Conduct (summary)	3.1, 3.3
Policy on ASX Listing Rule Compliance (summary) and Compliance Procedures (summary)	5.1, 5.2
Procedure for Selection, Appointment and Rotation of External Auditor	4.4
Shareholder Communication Policy	6.1, 6.2
Risk Management Policy (summary)	7.1, 7.4

Disclosure – Principles & Recommendations

The Company reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations during the 2009/2010 financial year ("**Reporting Period**").

Principle 1 – Lay solid foundations for management and oversight

Recommendation 1.1:

Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

Disclosure:

The Company has established the functions reserved to the Board and has set out these functions in its Board Charter. The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company, providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

The Company has established the functions delegated to senior executives and has set out these functions in its Board Charter. Senior executives are responsible for supporting the Chief Executive Officer and assisting the Chief Executive Officer in implementing the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.
Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Chief Executive Officer or, if the matter concerns the Chief Executive Officer, then directly to the Chair or the lead independent director, as appropriate.

Recommendation 1.2:
Companies should disclose the process for evaluating the performance of senior executives.

Disclosure:
The Chief Executive Officer is responsible for evaluating the performance of senior executives. The Chief Executive Officer undertakes the evaluation of senior executives at quarterly management meetings. This process is undertaken by the Chief Executive Officer in conjunction with the other executive directors of the Company.

Recommendation 1.3:
Companies should provide the information indicated in the *Guide to reporting on Principle 1.*

Disclosure:
During the Reporting Period an evaluation of senior executives took place in accordance with the process disclosed at Recommendation 1.2.

Principle 2 – Structure the board to add value

Recommendation 2.1:
A majority of the Board should be independent directors.

Notification of Departure:
A majority of the Board are not independent directors. Of the five member board, only one director, Richard Rossiter, is independent. The four non-independent directors are Terry McConnachie, Louis Carroll, Alistair Ruiters and Grant Button.

Explanation for Departure:
Over the past 12 months, the Company has contemplated a number of corporate transactions that would have addressed the number of independent directors on the Board. However, none of these transactions proceeded. Whilst the Board continues to review its composition, it believes that its current composition is the most appropriate for the Company's present operations.

Recommendation 2.2:
The Chair should be an independent director.

Disclosure:
The independent Chair of the Board is Richard Rossiter

Recommendation 2.3:
The roles of the Chair and Chief Executive Officer should not be exercised by the same individual.

Disclosure:
The Chief Executive Officer is Terry McConnachie, who is not Chair of the Board.

Recommendation 2.4:
The Board should establish a Nomination Committee.

Notification of Departure:
The Company has not established a separate Nomination Committee.

Explanation for Departure:
The full Board considers those matters that would usually be the responsibility of a Nomination Committee. The Board considers that no efficiencies or other benefits would be gained by establishing a separate Nomination Committee. Accordingly, the Board performs the role of Nomination Committee. Items that are usually required to be discussed by a Nomination Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Nomination Committee it carries out those functions which are delegated in the Company's Nomination Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of Nomination Committee by ensuring the director with conflicting interests is not party to the relevant discussions.

Recommendation 2.5:
Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.

Disclosure:
The Chair is responsible for evaluation of the Board and, when deemed appropriate, Board committees and individual directors. The Nomination Committee (or its equivalent) is responsible for evaluating the Chief Executive Officer.

The Chair reviews the performance of the Board as a whole, and individual directors through formal performance evaluation questionnaires completed by individual directors. The Chair is responsible for collating the information from the questionnaires and taking action if there are any issues raised in the questionnaires. This process is undertaken once a year.

The Chair provides informal performance feed back to the directors through regular discussion on an ongoing basis.

Recommendation 2.6:
Companies should provide the information indicated in the *Guide to reporting on Principle 2*.

Disclosure:
Skills, Experience, Expertise and term of office of each Director
A profile of each director containing their skills, experience, expertise and term of office is set out in the Directors' Report.

Identification of Independent Directors

The sole independent director of the Company is Richard Rossiter, who is independent as he is a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of his judgment.

Independence is measured having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Company's materiality thresholds. The materiality thresholds are set out below.

Company's Materiality Thresholds

The Board has agreed on the following guidelines for assessing the materiality of matters, as set out in the Company's Board Charter:

- Statement of financial position items are material if they have a value of more than 5% of pro-forma net asset.
- Profit and loss items are material if they will have an impact on the current year operating result of 5% or more.
- Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, they could affect the Company’s rights to its assets, if accumulated they would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 5% or more on statement of financial position or profit and loss items, or they will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 5%.
- Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost of such a quantum, triggering any of the quantitative tests, contain or trigger change of control provisions, they are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

Statement concerning availability of Independent Professional Advice

To assist directors with independent judgement, it is the Board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval for incurring such expense from the Chair, the Company will pay the reasonable expenses associated with obtaining such advice.

Nomination Matters

The full Board, in its capacity as the Nomination Committee, held two meeting during the Reporting Period. All Board members (Richard Rossiter, Terry McConnachie, Louis Carroll. Alistair Ruiters and Grant Button) were in attendance at both Committee meetings.

To assist the Board to fulfil its function as the Nomination Committee, it has adopted a Nomination Committee Charter (which is available on the Company's website).

The explanation for departure set out under Recommendation 2.4 above explains how the functions of the Nomination Committee are performed.

Performance Evaluation

During the Reporting Period an evaluation of the Board and individual directors took place in accordance with the process disclosed at Recommendation 2.5. An evaluation of the Audit Committee (the only Board committee) did not take place in the Reporting Period.

Selection and (Re)Appointment of Directors

In determining candidates for the Board, the Nomination Committee (or equivalent) follows a prescribed procedure whereby it evaluates the range of skills, experience and expertise of the existing Board, considers the balance of independent directors on the Board as well as identifying the particular skills that will best increase the Board's effectiveness. A potential candidate is considered with reference to their skills and expertise in relation to other Board members. If relevant, the Nomination Committee recommends an appropriate candidate for appointment to the Board. Any appointment made by the Board is subject to ratification by shareholders at the next general meeting. The Board's Policy and Procedure for Selection and (Re)Appointment of Directors is available on the Company's website.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. Each director other than the Managing Director, must not hold office (without re-election) past the third annual general meeting of the Company following the Director's appointment or three years following that director's last election or appointment (whichever is the longer). However, a Director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company. At each annual general meeting a minimum of one director or a third of the total number of directors must resign. A director who retires at an annual general meeting is eligible for re-election at that meeting. Re-appointment of directors is not automatic.

Principle 3 – Promote ethical and responsible decision-making

Recommendation 3.1:

Companies should establish a Code of Conduct and disclose the code or a summary of the code as to the practices necessary to maintain confidence in the company's integrity, the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Disclosure:

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, practices necessary to take into account their legal obligations and the expectations of their stakeholders and responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Recommendation 3.2:

Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

Disclosure:

The Company has established a policy concerning trading in the Company's securities by directors, senior executives and employees.

Recommendation 3.3:
Companies should provide the information indicated in the *Guide to reporting on Principle 3.*

Disclosure:
Please refer to the section above marked Website Disclosures.

Principle 4 – Safeguard integrity in financial reporting

Recommendation 4.1:
The Board should establish an Audit Committee.

Disclosure:
The Company has established an Audit Committee.

Recommendation 4.2:
The Audit Committee should be structured so that it:

- consists only of non-executive directors
- consists of a majority of independent directors
- is chaired by an independent Chair, who is not Chair of the Board
- has at least three members.

Notification of Departure:
The Audit Committee does not meet the structural requirements of Recommendation 4.2. The Audit Committee comprises three directors, Richard Rossiter, Louis Carroll and Grant Button.

Richard Rossiter is the only independent non-executive director on the Audit Committee. Louis Carroll and Grant Button are executive and non-independent directors.

Explanation for Departure:
Given the size and structure of the Board, the Company is unable to meet the structural requirements of Recommendation 4.2. The Board has adopted, and the Audit Committee applies, an Audit Committee Charter. Further, Grant Button, who is not Chair of the Board, is the Chair of the Audit Committee. The Company considers that the members of the Audit Committee are the most appropriate, given their experience and qualifications, for the Company's current needs.

Recommendation 4.3:
The Audit Committee should have a formal charter.

Disclosure:
The Company has adopted an Audit Committee Charter.

Recommendation 4.4:
Companies should provide the information indicated in the *Guide to reporting on Principle 4.*

Disclosure:
The Audit Committee held two meetings during the Reporting Period. The following table identifies those directors who are members of the Audit Committee and shows their attendance at Committee meetings:

Name	No. of meetings attended
Grant Button (Chair)	2
Richard Rossiter	2
Louis Carroll	2

Details of each of the director's qualifications are set out in the Directors' Report.

All Audit Committee members possess industry knowledge and consider themselves to be financially literate. Mr Button is a qualified Certified Practising Accountant and provides financial expertise required for the Audit Committee.

The Company has established procedures for the selection, appointment and rotation of its external auditor (which is available on the Company's website). The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee (or its equivalent). Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit Committee (or its equivalent) and any recommendations are made to the Board.

Principle 5 – Make timely and balanced disclosure

Recommendation 5.1:
Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

Disclosure:
The Company has established written policies designed to ensure compliance with ASX Listing Rule disclosure and accountability at a senior executive level for that compliance.

Recommendation 5.2:
Companies should provide the information indicated in the *Guide to reporting on Principle 5.*

Disclosure:
Please refer to the section above marked Website Disclosures.

Principle 6 – Respect the rights of shareholders

Recommendation 6.1:
Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

Disclosure:
The Company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings.

Recommendation 6.2:
Companies should provide the information indicated in the *Guide to reporting on Principle 6.*

Disclosure:
Please refer to the section above marked Website Disclosures.

Principle 7 – Recognise and manage risk

Recommendation 7.1:
Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Disclosure:
The Board has adopted a Risk Management Policy, which sets out the Company's risk profile (and is available on the Company's website). Under the policy, the Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the policy, the Board delegates day-to-day management of risk to the Chief Executive Officer, who is responsible for identifying, assessing, monitoring and managing risks. The Chief Executive Officer is also responsible for updating the Company's material business risks to reflect any material changes, with the approval of the Board.

In fulfilling the duties of risk management, the Chief Executive Officer may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

The Board has established a separate Audit Committee to monitor and review the integrity of financial reporting and the Company's internal financial control systems and risk management systems.

The Board has also established a separate Risk Committee, which is chaired by Louis Carroll.

In addition, the following risk management measures have been adopted by the Board to manage the Company's material business risks:

- the Board has established authority limits for management which, if exceeded, will require prior Board approval;
- the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations; and
- the Board has adopted a corporate governance manual which contains other policies to assist the Company to establish and maintain its governance practices.

In 2009, the Board resolved to formalise and document the management of its material business risks. The Company’s risk management system includes the preparation of a risk report which identifies the Company's material business risks, prioritises those risks and identifies strategies to deal with those risks. The risk report is prepared by the Risk Committee. The Risk Committee meets annually to review and if necessary, update the Company's risks. The Risk Committee reports to the executive directors, who in turn report to the full Board as required.

As part of the Company's systems and processes for managing material business risk, the Board considers the following risk areas and has developed risk management strategies for each area. The major areas of risks identified by the Board and management were: operational risk; strategic risk; commodity prices; exchange rates; financial reporting risks; environmental risk; sustainability; company specific risk; compliance; people and market-related risk.

Recommendation 7.2:
The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

Disclosure:
The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. Further, the Board has received a report from management as to the effectiveness of the Company's management of its material business risks.

Recommendation 7.3:
The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Disclosure:
The Chief Executive Officer and the Chief Financial Officer have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial risk.

Recommendation 7.4:
Companies should provide the information indicated in the *Guide to reporting on Principle 7.*

Disclosure:
The Board has received the report from management under Recommendation 7.2.

The Board has received the assurance from the Chief Executive Officer and the Chief Financial Officer under Recommendation 7.3.

Principle 8 – Remunerate fairly and responsibly

Recommendation 8.1:
The Board should establish a Remuneration Committee.

Notification of Departure:
The Company has not established a separate Remuneration Committee.

Explanation for Departure:
The full Board considers those matters that would usually be the responsibility of a Remuneration Committee. The Board considers that no efficiencies or other benefits would be gained by establishing a separate Remuneration Committee. Items that are usually required to be discussed by a Remuneration Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Remuneration Committee it carries out those functions which are delegated in the Company's Remuneration Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of Remuneration Committee by ensuring the director with conflicting interests is not party to the relevant discussions.

Recommendation 8.2:
Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

Disclosure:
Non-executive directors are remunerated at market rates (for comparable companies) for time, commitment and responsibilities. Fees for non-executive directors are not linked to the performance of the Company. Given the Company's stage of development, activities and financial restriction, the Company may consider it appropriate to issue unlisted options to non executive directors, subject to obtaining the relevant approvals. This policy is subject to annual review. All of the directors' option holdings are fully disclosed.

Pay and rewards for executive directors and senior executives consists of a base salary and performance incentives. Long term performance incentives may include options granted at the discretion of the Board and subject to obtaining the relevant approvals. Executives are offered a competitive level of base pay at market rates (for comparable companies) and are reviewed annually to ensure market competitiveness.

Recommendation 8.3:
Companies should provide the information indicated in the *Guide to reporting on Principle 8.*

Disclosure:
Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms of part of the Directors' Report.

The full Board, in its capacity as the Remuneration Committee, held one meeting during the Reporting Period. All Board members (Richard Rossiter, Terry McConnachie, Louis Carroll. Alistair Ruiters and Grant Button) were in attendance at the Committee meeting. To assist the Board to fulfil its function as the Remuneration Committee, it has adopted a Remuneration Committee Charter (which is available on the Company's website).

The explanation for departure set out under Recommendation 8.1 above explains how the functions of the Remuneration Committee are performed.

There are no termination or retirement benefits for non-executive directors (other than for superannuation).
The Company's Remuneration Committee Charter includes a statement of the Company's policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes.

DIRECTORS' DECLARATION

1. In the opinion of the directors of Sylvania Resources Limited (the "Company"):

   (a) the accompanying financial statements, notes and the additional disclosures are in accordance with the Corporations Act 2001 including :

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year then ended; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

   (c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2010.

This declaration is signed in accordance with a resolution of the Board of Directors.

T M McConnachie
Managing Director

Johannesburg, South Africa
29 September 2010

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of
SYLVANIA RESOURCES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Sylvania Resources Limited ("the company"), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on page 45 and pages 48 to 105.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the 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.

In Note 1(c), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements,* that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

HLB Mann Judd

Accountants | Business and Financial Advisers

Independence
In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion
In our opinion:

(a) the financial report of Sylvania Resources Limited is in accordance with the Corporations Act 2001, including:
    (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
    (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1(c).

Report on the Remuneration Report
We have audited the Remuneration Report included in pages 22 to 31 of the directors' report for the year ended 30 June 2010.The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion
In our opinion the Remuneration Report of Sylvania Resources Limited for the year ended 30 June 2010 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

Perth, Western Australia
29 September 2010

M R W OHM
Partner

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2010

	Notes	Consolidated 2010 $	2009 $
Revenue	2(a)	**29,812,970**	19,318,639
Raw materials and consumables used		**(17,752,553)**	(10,849,719)
Share of net profit of jointly controlled entity accounted for using the equity method	24	**865,972**	317,002
Profit from operations		**12,926,389**	8,785,922
Foreign exchange loss	2(c)	**(3,436,741)**	(244,303)
Impairment of available-for-sale financial assets	2(c)	**(90,000)**	(1,710,898)
Transfer of gains on investment from equity upon acquisition of subsidiary	2(b)	**5,420,747**	-
Impairment of mining property	2(c)	**(4,923,880)**	-
Share based payment expense	2(c)	**(5,102,121)**	(2,744,523)
Other income	2(b)	**247,406**	274,743
Other expenses	2(c)	**(11,260,827)**	(7,526,382)
Loss before interest and income tax expense		**(6,219,027)**	(3,165,441)
Finance income	2(b)	**834,197**	2,531,679
Finance costs	2(c)	**(157,235)**	(62,142)
Loss before income tax expense		**(5,542,065)**	(695,904)
Income tax expense	3	**(3,061,505)**	(3,060,868)
Net loss		**(8,603,570)**	(3,756,772)
Other comprehensive (loss) / income			
Net change in fair value of available-for-sale financial assets		**(5,392,192)**	5,853,835
Exchange differences on translation of foreign operations		**(2,636,008)**	15,274,026
Income tax relating to components of other comprehensive income		**738,082**	(4,330,834)
Other comprehensive (loss) / income for the year, net of tax		**(7,290,118)**	16,797,027
Total comprehensive (loss) / income for the year		**(15,893,688)**	13,040,255
Loss attributable to:			
Owners of the parent		**(7,925,116)**	(3,524,073)
Non-controlling interest		**(678,454)**	(232,699)
		(8,603,570)	(3,756,772)
Total comprehensive (loss) / income attributable to:			
Owners of the parent		**(15,893,688)**	11,379,209
Non-controlling interest		**-**	1,661,046
		(15,893,688)	13,040,255
		Cents	Cents
Loss per share for loss attributable to the ordinary equity holders of the Company:			
Basic loss per share	4	**(3.53)**	(1.97)
Diluted loss per share	4	**(3.53)**	(1.97)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 30 June 2010

	Notes	Consolidated 2010 $	2009 $
Assets			
Current assets			
Cash and cash equivalents	6	**23,478,101**	32,214,884
Trade and other receivables	7	**13,560,454**	7,871,069
Inventories	8	**753,668**	441,512
Current tax asset		**2,617,173**	2,203,701
Total current assets		**40,409,396**	42,731,166
Non-current assets			
Other financial assets	9	**437,275**	8,080,416
Investments accounted for using the equity method	24	**3,797,167**	3,967,132
Deferred exploration expenditure	11	**69,348,483**	1,826,958
Property, plant & equipment	12	**76,999,597**	65,264,576
Total non-current assets		**150,582,522**	79,139,082
Total assets		**190,991,918**	121,870,248
Liabilities			
Current liabilities			
Trade and other payables	13	**5,696,097**	7,263,337
Borrowings	14	**310,576**	149,649
Current tax liability		**11,673**	12,114
Total current liabilities		**6,018,346**	7,425,100
Non-current liabilities			
Borrowings	14	**442,019**	234,570
Deferred tax liability	3	**24,700,159**	7,376,401
Provisions	15	**935,855**	912,644
Total non-current liabilities		**26,078,033**	8,523,615
Total liabilities		**32,096,379**	15,948,715
Net assets		**158,895,539**	105,921,533
Equity			
Issued capital	16	**181,216,925**	117,945,504
Reserves	17	**5,974,869**	7,250,196
Accumulated losses	18	**(28,296,255)**	(20,371,139)
Parent entity interest		**158,895,539**	104,824,561
Non-controlling interest		**-**	1,096,972
Total equity		**158,895,539**	105,921,533

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2010

Consolidated	Issued capital $	Accumulated losses $	Reserves $	Non-controlling Interests $	Total equity $
Balance as at 1 July 2008	**117,274,097**	**(16,847,066)**	**(12,458,835)**	**1,824,813**	**89,793,009**
Loss for the period	-	(3,524,073)	-	(232,699)	(3,756,772)
Currency translation differences	-	-	12,568,676	2,705,350	15,274,026
Net gains revaluation reserve	-	-	5,853,835	-	5,853,835
Income tax relating to components of other comprehensive income	-	-	(3,519,229)	(811,605)	(4,330,834)
Total comprehensive income	117,274,097	(20,371,139)	2,444,447	3,485,859	102,833,264
Shares issued during the year:					
Options exercised	250,000	-	-	-	250,000
Employee share plan loan repaid - proceeds	143,000	-	-	-	143,000
Share based payment reserve transferred to contributed equity	327,662	-	(327,662)	-	-
Less: capital raising costs	(49,255)	-	-	-	(49,255)
Non-controlling interests premium reserve	-	-	2,388,887	(2,388,887)	-
Share based compensation reserve	-	-	2,744,524	-	2,744,524
Balance at 30 June 2009	**117,945,504**	**(20,371,139)**	**7,250,196**	**1,096,972**	**105,921,533**
Balance as at 1 July 2009	**117,945,504**	**(20,371,139)**	**7,250,196**	**1,096,972**	**105,921,533**
Loss for the period	-	(7,925,116)	-	(678,454)	(8,603,570)
Currency translation differences	-	-	(2,054,733)	(581,275)	(2,636,008)
Net gains revaluation reserve	-	-	(5,392,192)	-	(5,392,192)
Income tax relating to components of other comprehensive income	-	-	575,325	162,757	738,082
Total comprehensive income	117,945,504	(28,296,255)	378,596	-	90,027,845
Shares issued during the year:					
Shares issued	64,106,469	-	-	-	64,106,469
Employee share plan loan repaid – proceeds	232,500	-	-	-	232,500
Replacement options issued as part of business combination	-	-	574,135	-	574,135
Share based payment reserve transferred to contributed equity	79,983	-	(79,983)	-	-
Less: capital raising costs	(1,147,531)	-	-	-	(1,147,531)
Share based compensation reserve	-	-	5,102,121	-	5,102,121
Balance at 30 June 2010	**181,216,925**	**(28,296,255)**	**5,974,869**	**-**	**158,895,539**

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 30 June 2010

	Notes	Consolidated 2010 $	2009 $
Cash flows from operating activities			
Receipts from customers		**24,051,879**	29,572,612
Payments to suppliers and employees		**(28,854,812)**	(9,686,549)
Interest received		**823,971**	2,914,891
Other revenue		**645,010**	300,953
Income tax paid		**752,868**	(3,248,283)
Net cash (outflow) / inflow from operating activities	22	**(2,581,084)**	19,853,624
Cash flows from investing activities			
Payments for property, plant & equipment		**(22,233,196)**	(30,647,410)
Payments for available-for-sale financial assets		**(1,800)**	(1,616,297)
Payments for exploration and evaluation		**(1,409,522)**	(123,396)
Proceeds from borrowings		**388,266**	-
Loans (from)/to related parties		**-**	(544,458)
Proceeds from the sale of plant and equipment		**120,845**	-
Proceeds from sale of exploration asset		**-**	316,600
Proceeds from sale of available-for-sale financial assets		**-**	25,280
Repayment of loan from related party		**76,023**	3,612
Net cash outflow from investing activities		**(23,059,384)**	(32,586,069)
Cash flows from financing activities			
Proceeds from issue of shares		**18,699,500**	93,000
Capital raising costs		**(1,147,530)**	(49,255)
Payment of finance lease liability			
Net cash inflow from financing activities		**17,551,970**	43,745
Net decrease in cash held		**(8,088,498)**	(12,688,700)
Effect of exchange fluctuations on cash held		**(3,676,904)**	1,280,020
Cash acquired through business combination	21	**3,028,619**	-
Cash at the beginning of the financial year		**32,214,884**	43,623,564
Cash at the end of the financial year	6	**23,478,101**	32,214,884

The accompanying notes form part of these financial statements.

1. Significant accounting policies

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law. The financial report has also been prepared on a historical cost basis, except for available-for-sale investments, which have been measured at fair value. The Company is a listed public company incorporated and domiciled in Australia, and operating in South Africa. The financial statements are presented in Australian dollars and were authorised for issue by the directors on 29 September 2010.

The group has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

(b) Adoption of new and revised standards

Changes in accounting policies on initial application of accounting standards

In the year ended 30 June 2010, the Group has reviewed all the new and revised standards and interpretations issued by the AASB that are relevant to its operations and effective for current annual reporting period.

During the year, certain accounting policies have changed as a result of new or revised accounting standards which became operative for the annual reporting period commencing on 1 July 2009.
The affected policies and standards are:

- Principles of consolidation – revised AASB 127 *Consolidated and Separate Financial Statements and changes made by AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity and Associate*
- Business combinations – revised AASB 3 *Business Combinations*
- Segment reporting – new AASB 8 *Operating Segments*
- Financial Instruments – revised AASB 7 *Financial Instruments: Disclosures*

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2010. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

(c) Statement of compliance

The financial report was authorised by the Board of directors for issue on 29 September 2010.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

1. Statement of significant accounting policies (continued)

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Sylvania Resources Limited (“Company” or “Parent”) and its subsidiaries as at 30 June each year (the “Group”).

The financial statements of the subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Business combinations have been accounted for using the acquisition method of accounting (refer note 1(q)).

Unrealised gains or transactions between the Group and its associates are eliminated to the extent of the Group’s interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the statement of comprehensive income and within equity in the consolidated statement of financial position. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in a adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Sylvania.

When the group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Changes in accounting policy

The group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control, joint control or significant influence from 1 July 2009 when a revised AASB 127 *Consolidated and Separate Financial Statements* became operative.

Previously transactions with non-controlling interests were treated as transactions with parties external to the group. Disposals therefore resulted in gains and losses in profit and loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

Previously when the group ceased to have control, joint control or significant influence over an entity, the carrying amount of the investment at the date control, joint control or significant influence ceased

1. Statement of significant accounting policies (continued)

(d) **Basis of consolidation (continued)**

became its cost for the purposes of subsequently accounting for the retained interests in associates, jointly controlled entity or financial assets.

(e) **Significant accounting judgements estimates and assumptions**

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

(i) Share-based payment transactions:

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black and Scholes model, using the assumptions detailed in Note 19.

(ii) Provision for restoration and rehabilitation and dismantling plant and equipment:

Provision for restoration and rehabilitation and dismantling plant and equipment is estimated taking into account estimates of expenditure based on information available at the balance date. The estimate is based on the expenditure required to undertake the rehabilitation and dismantling, after taking into account the time value of money.

(iii) Treatment of minority shareholder entitlements

As referred to in the Directors' Report, under the terms of two shareholder agreements signed on 10 January 2007, Ehlobo Metals (Pty) Limited ("Ehlobo") acquired a 26% interest in both Sylvania Metals (Pty) Limited ("Sylvania Metals") and Sylvania Minerals (Pty) Limited ("Sylvania Minerals").

Under the terms of the agreements, Ehlobo committed to contribute $10.1 million (R64 million) towards the initial capital requirements of Sylvania Metals and Sylvania Minerals. As at balance date, the required contribution by Ehlobo had not been received.

Due to the failure to contribute the required capital amount by Ehlobo, the Directors consider that it is appropriate to reduce the non-controlling interest entitlement by a notional interest charge reflective of the non-payment by Ehlobo of its contractually agreed capital contribution. The non-controlling interest entitlement reflects a full share of equity less a charge equivalent to an amount calculated using the South African Prime Lending rate on the commitment outstanding since the due date.

Subsequent to balance date, Ehlobo disposed of its interest to Africa Asia Capital Limited ("AAC") and Sylvania entered into a Share Exchange Agreement to acquire the non-controlling interest from AAC. The Share Exchange Agreement will result in the Sylvania Dump Operations becoming fully owned by Sylvania. Further details of this transaction are disclosed in Note 25.

1. Statement of significant accounting policies (continued)

(e) Significant accounting judgements estimates and assumptions (continued)

(iv) Exploration and evaluation costs carried forward

The recoverability of the carrying amount of exploration and evaluation costs carried forward has been reviewed by the directors. In conducting the review, the recoverable amount has been assessed by reference to the higher of "fair value less costs to sell" and "value in use". In determining value in use, future cash flows are based on:

- Estimates of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- Estimated production and sales levels;
- Estimate future commodity prices;
- Future costs of production;
- Future capital expenditure; and/or
- Future exchange rates.

Variations to expected future cash flows, and timing thereof, could result in significant changes to the impairment test results, which in turn could impact future financial results.

(v) Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that sufficient future tax profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits over the next two years together with future tax planning strategies.

(vi) Impairment of available-for-sale financial assets

The Group follows the guidance of AASB 139 *Financial Instruments: Recognition and Measurement* to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

(vii) Impairment of mining properties

On 27 April 2008 Sylvania announced that it had signed an amendment to an existing Services and Supply Agreement to treat run of mine ("ROM") from the Brokenhill, Spitzkop and Buffelsfontein East mining operations. It was expected that attributable PGM production would increase by approximately 6,000 ounces per annum in the short term, increasing to approximately 33% of production in five to six years as current dumps were depleted.

It was estimated that 300,000 tonnes of ROM material a year would be made available to Sylvania for treatment. This ROM was expected to have an average grade of 1.4 grams/ton and the chrome ore recovered from the treatment was to be returned to the supplier at a nominal charge.

First production of the PGM's from the ROM material retreatment was expected in the fourth quarter of 2008, ramping up to more than 200 ounces per month towards the end of the first quarter of 2009.

1. Statement of significant accounting policies (continued)

(e) Significant accounting judgements estimates and assumptions (continued)

Subsequent to the agreement being signed the world economy went into a slump resulting in a change to the chrome market with the annual demand for chrome products being dramatically reduced. This resulted in the plans for mining of ROM material planned at Lannex plant serving Brokenhill and Spitzkop and the Mooinooi plant serving Buffelsfontein East being stopped. The Sylvania Board of Directors can in no way determine whether or not these mines will resume operations. This does not affect the carrying value of the Lannex plant as sufficient material has been identified for the Lannex plant to operate at design capacity.

The right to treat the ROM material from Brokenhill, Spitzkop and Buffelsfontein East Chrome mines cannot be sold to a third party and Sylvania is in no way entitled to any form of compensation for operations at these mines ceasing.

Subsequent to the financial year end at 30 June 2010 the Mooinooi Mine has been supplying ROM material to the Sylvania Mooinooi plant and this mining property is being depreciated at the current estimated useful life of the Mooinooi plant.

(f) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Sylvania Resources Limited.

Change in accounting policy
The Group has adopted AASB 8 *Operating Segments* from 1 July 2009. AASB 8 replaces AASB 114 *Segment Reporting*. The new standard requires a ‘management approach’, under which segment information is presented on the same basis as that used for internal reporting purposes. This has not resulted in a change in the number of reportable segments presented by the Group as operating segments are reported in a manner that is consistent with internal reporting provided to the chief operating decision maker.

(g) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

(ii) Interest income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

1. Statement of significant accounting policies (continued)

(h) Borrowing costs

Borrowing costs are recognised as an expense when incurred except those that relate to the acquisition, construction or production of qualifying assets where the borrowing cost is added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

(i) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the general policy on borrowing costs - refer Note 1(h).

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(j) Cash and cash equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(k) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

(l) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- Raw materials – purchase cost on first-in, first-out basis; and
- Finished goods and work-in-progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

1. Statement of significant accounting policies (continued)

(l) Inventories (continued)

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(m) Foreign currency translation

Both the functional and presentation currency of the Company and its Australian controlled entity is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

All exchange differences in the parent Company's financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

The functional currency of the foreign operations is South African Rand (ZAR).

As at the reporting date the assets and liabilities of these subsidiaries are translated into the presentation currency of the Company at the rate of exchange ruling at the balance date and their statements of comprehensive income are translated at the weighted average exchange rate for the year.

The exchange differences arising on the translation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

(n) Interest in jointly controlled entities

The interest in the jointly controlled entity is accounted for in the consolidated financial statements using the equity method. Under the equity method, the share of profits or losses of the jointly controlled entity is recognised in profit or loss, and the share of post-acquisition movements in reserves is recognised in other comprehensive income.

Profits or losses on transactions establishing the jointly controlled entity are eliminated to the extent of one of the group's ownership interest until such time as they are realised by the jointly controlled entity on consumption or sale. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of the current assets, or an impairment loss.

(o) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

1. Statement of significant accounting policies (continued)

(o) Income tax (continued)

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

1. Statement of significant accounting policies (continued)

(p) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authorities are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(q) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or business under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified as either equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

1. Statement of significant accounting policies (continued)

(q) Business combinations (continued)

Change in accounting policy

A revised AASB 3 *Business Combinations* became operative on 1 July 2009. While the revised standard continues to apply the acquisition method to business combinations, there have been some significant changes.

All purchase consideration is now recorded at fair value at the acquisition date. Contingent payments classified as debt are subsequently remeasured through profit or loss. Under the group's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition.

Acquisition-related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

Non-controlling interests in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. Under the previous policy, the non-controlling interest was always recognised at its share of the acquiree's net identifiable assets.

If the group recognises previous acquired deferred tax assets after the initial acquisition accounting is completed there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the group's net profit after tax.

(r) Property, plant and equipment

The costs of acquiring mining properties are capitalised in the statement of financial position as incurred. Mining properties are, upon commencement of production, amortised over the remaining life of respective assets on a unit of production basis. The net carrying amounts of mining properties are reviewed for impairment either individually or at the cash-generating unit level when events and changes in circumstances indicate that the carrying amount may not be recoverable. To the extent to which these values exceed their recoverable amounts, that excess is fully provided for in the financial year in which this is determined.

Plants in the course of construction are capitalised as construction in progress. When the asset has been completed, the associated construction in progress balance is transferred to plant and equipment. Once the asset is available for use and in the location and condition necessary for it to be capable of operating in the manner intended by management, it is depreciated over its useful life or on a units of production basis.

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Plant and equipment – 10% to 37%
Furniture and fittings – 7.5%

1. Statement of significant accounting policies (continued)

(r) Property, plant and equipment (continued)

(i) Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value. Impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Impairment losses are recognised immediately in the statement of comprehensive income.

(ii) Derecognition and disposal

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(s) Investments and other financial assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category ‘financial assets at fair value through profit or loss’. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

1. Statement of significant accounting policies (continued)

(s) Investments and other financial assets (continued)

(iii) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified in any other category. After initial recognition available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

(t) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is charged directly to the revaluation reserve to the extent that it reverses a previous revaluation surplus relating to the same assets).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

1. Statement of significant accounting policies (continued)

(u) Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either:
  - (a) has transferred substantially all the risks and rewards of the asset, or
  - (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(v) Impairment of financial assets

The Group assesses at each balance date whether a financial asset or group of financial assets is impaired.

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses

1. Statement of significant accounting policies (continued)

(v) Impairment of financial assets (continued)

that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

(iii) Available-for-sale investments

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

(w) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(x) Provisions

Where applicable, provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

1. Statement of significant accounting policies (continued)

(x) Provisions (continued)

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost

(y) Employee leave benefits

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(z) Share-based payment transactions

Equity settled transactions

The Group provides benefits to employees and consultants (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees and consultants is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black and Scholes model, further details of which are given in Note 19.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases

1. Statement of significant accounting policies (continued)

(z) Share-based payment transactions (continued)

the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding shares and options issued is reflected as additional share dilution in the computation of earnings per share (see Note 4).

(aa) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(ab) Earnings per share

Basic earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares.

Diluted earnings per share are calculated as net profit or loss attributable to members of the parent, adjusted for:

- Costs of servicing equity (other than dividends) and preference share dividends;
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares.

(ac) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised.

(ad) Provision for restoration and rehabilitation

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of development activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The

1. Statement of significant accounting policies (continued)

(ad) Provision for restoration and rehabilitation (continued)

estimated future obligations include the costs of abandoning sites, removing facilities and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each reporting date.

The initial estimate of the restoration and rehabilitation provision is capitalised into the cost of the related asset and amortised on the same basis as the related asset, unless the present obligation arises from the production of inventory in the period, in which case the amount is included in the cost of production for the period. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

(ae) Exploration and evaluation

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

(i) the rights to tenure of the area of interest are current; and
(ii) at least one of the following conditions is also met:

(a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
(b) exploration and evaluation activities in the area of interest have not at the balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortised of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

2. Revenue and expenses

		Consolidated	
		2010	2009
		$	$
(a)	**Revenue**		
	Sale of goods	**29,812,970**	19,318,639
(b)	**Other income**		
	Finance income	**834,197**	2,531,679
	Sale of mining tenements	**-**	82,545
	Net gain / (loss) on disposal of non-current asset	**(55,274)**	(13,272)
	Net gain / (loss) on sale of available-for-sale financial assets	**-**	5,918
	Transfer of gains on investment from equity upon acquisition of subsidiary	**5,420,747**	-
	Administration recovery	**16,961**	64,690
	Sundry income	**35,718**	-
	Reduction in decommissioning costs	**-**	134,862
(c)	**Expenses**		
	Loss from ordinary activities before income tax expense includes the following specific expenses:		
	Consulting	**3,545,066**	2,335,837
	Depreciation – plant and equipment	**3,269,293**	1,786,457
	Depreciation – other assets	**114,190**	67,275
	Finance costs	**157,235**	62,142
	Foreign exchange loss	**3,436,741**	244,303
	Operating lease payments	**391,480**	273,929
	Devaluations of fair value through profit or loss financial assets	**90,000**	1,710,898
	Impairment of mining properties	**4,923,880**	-
	Share based payments expense	**5,102,121**	2,744,523
	Superannuation expense	**21,476**	20,826

3. Income tax

	Consolidated 2010 $	2009 $
Major components of tax expense for the years ended 30 June 2010 and 2009		
Income tax recognised in profit or loss		
Current income tax benefit	**(2,384,956)**	(270,019)
Adjustments in respect of current income tax of previous year	**-**	(20,445)
Translation of foreign operations	**836,119**	(2,809,748)
Deferred tax expense relating to origination and reversal of temporary differences	**2,335,962**	6,205,732
Benefit arising from previously unrecognised tax losses, tax credits or temporary differences of a prior year period that is used to reduce:		
- current tax expense	**-**	-
- deferred tax expense	**-**	(82,429)
Write downs of deferred tax assets	**2,274,380**	37,777
Total tax expense	**3,061,505**	3,060,868
The prima facie income tax expense on pre-tax accounting result from operations reconciles to the income tax expense in the financial statements as follows:		
Accounting loss	**(5,542,065)**	(695,904)
Tax expense / (benefit) at statutory rate of 30%	**(1,662,619)**	(208,771)
Non-deductible expenses	**781,669**	3,202,634
Benefit of tax losses and timing differences not brought to account	**3,942,455**	67,005
Income tax expense	**3,061,505**	3,060,868
Income tax recognised directly in equity:		
The following amounts were charged / (credited) directly to equity during the period:		
Current tax		
- translation of foreign operation	**836,119**	(2,809,748)
Deferred tax		
- translation of foreign operation	**222,266**	2,047,101
	1,058,385	(762,647)

3. Income tax (continued)

	Consolidated 2010 $	2009 $
Deferred tax assets comprise:		
Deferred unrealised gains and losses on foreign exchange	**-**	15,809
Losses available for offset against future taxable income	**6,459,635**	535,110
Other	**421,628**	76,081
	6,881,263	627,000
Set-off against deferred tax liabilities	**(6,881,263)**	(627,000)
	-	-
Deferred tax liabilities comprise:		
Deferred unrealised gains and losses on foreign exchange	**2,410,233**	2,945,387
Fair value adjustments on acquisition	**21,662,778**	-
Plant and equipment	**7,474,334**	5,042,205
Asset revaluation reserve recognised through equity	**15,160**	-
Other	**18,917**	15,809
	31,581,422	8,003,401
Set-off deferred tax assets	**(6,881,263)**	(627,000)
	24,700,159	7,376,401

The Group has an estimated tax losses arising in Australia of $15,903,913 (2009: $5,138,573) that are available indefinitely for offset against future taxable profits of the company in which the losses arose.

	2010	2009
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Deductible temporary differences	**9,361,540**	2,178,513
Tax losses	**3,211,907**	1,639,778
Capital losses	**1,280,105**	754,091
	13,853,552	4,572,382

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future tax profits will be available against which the Group can utilise the benefits thereof.

Tax consolidation

Sylvania Resources Limited and its 100% owned Australian resident controlled entity have formed a tax consolidated group with effect from 1 July 2003. Sylvania Resources Limited is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned controlled entity on a pro rata basis. In addition the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote.

3. Income tax (continued)

Reconciliation of deferred tax assets / (liabilities):

2010	Opening balance $	Charged to Income Statement $	Charged to equity $	Consolidated Acquisition/ disposal $	Exchange Difference $	Closing Balance $
Temporary differences	(2,869,307)	714,933	(15,160)	-	146,851	(2,022,683)
Plant and equipment	(5,042,204)	(2,576,148)	-	(21,662,778)	144,018	(29,137,112)
Tax losses	535,110	(97,296)	-	6,075,265	(53,443)	6,459,636
	(7,376,401)	(1,958,511)	(15,160)	(15,587,513)	237,426	(24,700,159)

2009	Opening balance $	Charged to Income Statement $	Consolidated Charged to equity $	Exchange Difference $	Closing Balance $
Temporary differences	(301,762)	(4,341,271)	2,161,918	(388,193)	(2,869,308)
Plant and equipment	(5,738,533)	(1,219,133)	1,998,772	(83,310)	(5,052,204)
Tax losses	2,496,297	(319,100)	(1,631,283)	(10,803)	535,111
	(3,543,998)	(5,879,504)	2,529,407	(482,306)	(7,376,401)

4. Earnings per share

	Consolidated **2010** **Cents per share**	 2009 cents per share
Basic loss per share - cents per share	**(3.53)**	(1.97)
Diluted loss per share – cents per share	**(3.53)**	(1.97)

	Consolidated **2010** **$**	 2009 $
Reconciliations of loss used in calculating loss per share		
Loss attributable to the ordinary equity holders of the company used in calculating basic loss per share	**(7,925,116)**	(3,524,073)
Loss attributable to the ordinary equity holders of the company used in calculating diluted loss per share	**(7,925,116)**	(3,524,073)
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	**224,724,096**	178,854,273
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss per share	**224,724,096**	178,854,273

4. Earnings per share (continued)

Diluted loss per share

At 30 June 2010 the Group has recorded a loss. Therefore, potential ordinary shares on issue in relation to options are not diluted and no information on diluted loss per share is presented.

5. Segment reporting

Segment information

For management purposes the chief operating decision maker, being the Board of Directors of Sylvania Resources Limited, reports its results per project. The Group currently has three operational retreatment processing plants, one retreatment processing plant in its final stages of commissioning, one retreatment processing plant operating at reduced capacity and an open cast mining exploration project.

The operating results of each project are monitored separately by the Board in order to assist them in making decisions regarding resource allocation as well as enabling them to evaluate performance. Segment performance is evaluated on PGM ounce production and operating costs.

The following table's present revenue and profit information and certain asset and liability information regarding business segments for the years ended 30 June 2010 and 30 June 2009.

5. Segment reporting (continued)

2010	Millsell $	Steelpoort $	Lannex $	Mooinooi $	Doornbosch $	Northern limb $	Other $	Consolidated $
Segment assets								
Capital expenditure	6,930,921	7,856,623	21,483,855	24,333,626	13,884,185	63,919,198	7,939,672	146,348,080
Other assets	4,322,034	4,666,915	906,870	2,277,880	116	1,871,759	30,598,264	44,643,838
Segment liabilities	1,217,819	1,380,472	3,774,887	4,275,615	2,439,563	1,394,163	17,613,860	32,096,379
Segment revenue	12,067,278	11,504,834	3,389,049	2,851,809	-	-	-	29,812,970
Segment result	7,358,327	6,284,526	(1,291,700)	896,610	(23,442)	-	(297,932)	12,926,389
Unallocated expenses							(21,529,959)	(21,529,959)
Total segment loss								(8,603,570)
Included within the segment results:								
Depreciation	898,467	942,760	1,037,566	298,498	20,738	-	71,264	3,269,293
Direct operating costs	2,912,018	4,277,548	3,643,183	1,656,701	2,704	-	1,991,106	14,483,260
Transfer of gain on investment from equity upon acquisition of subsidiary	-	-	-	-	-	-	5,420,747	5,420,747
Interest revenue	-	-	-	-	-	-	834,197	834,197
Income tax expense	-	-	-	-	-	-	3,061,505	3,061,505
Cash flow information								
Net cash flow from operating activities	7,358,327	6,284,526	(1,291,700)	896,610	(23,442)	-	(15,805,405)	(2,581,084)
Net cash flow from investing activities	(162,915)	(611,733)	(2,667,439)	(10,969,522)	(7,581,902)	(1,409,522)	343,649	(23,059,384)

5. Segment reporting (continued)

2009	Millsell $	Steelpoort $	Lannex $	Mooinooi $	Doornbosch $	Northern limb $	Other $	Consolidated $
Segment assets								
Capital expenditure	7,945,845	8,489,531	25,585,552	14,058,158	6,516,901	-	2,668,589	65,264,576
Other assets	3,164,215	2,590,893	35,471	89,196	-	-	50,725,897	56,605,672
Segment liabilities	1,941,727	2,074,588	6,252,345	3,435,395	1,592,536	-	652,124	15,948,715
Segment revenue	7,567,959	11,603,211	33,611	-	-	-	113,858	19,318,639
Segment result	2,883,809	6,516,676	(629,923)	(139,298)	(28,694)	-	183,352	8,785,922
Unallocated expenses							(12,542,649)	(12,542,694)
Total segment loss								(3,756,772)
Included within the segment results:								
Depreciation	837,448	892,795	1,463	924	227	-	53,600	1,786,457
Direct operating costs	3,009,254	3,300,945	660,788	137,451	28,421	-	1,865,000	9,001,859
Interest revenue	-	-	-	-	-	-	2,531,679	2,531,679
Income tax expense	-	-	-	-	-	-	3,060,868	3,060,868
Cash flow information								
Net cash flow from operating activities	2,883,809	6,516,676	(629,923)	(139,298)	(28,694)	-	11,251,054	19,853,264
Net cash flow from investing activities	(794,293)	(811,305)	(15,315,561)	(7,209,688)	(6,277,518)	-	(2,177,704)	(32,586,069)

5. Segment reporting (continued)

	Consolidated 2010 $	2009 $
(i) Segment revenue reconciliation to the statement of comprehensive income		
Total segment revenue	29,812,970	19,318,639
Inter-segment sales elimination	-	-
Other revenue from continuing activities	-	-
Total revenue	29,812,970	19,318,639

Revenue from external customers by geographical locations is detailed below. Revenue is attributed to geographic location based on the location of the customers. The company does not have external revenues from external customers that are attributable to any foreign country other than as shown.

	2010	2009
South Africa	29,812,970	19,318,639
Total revenue	29,812,970	19,318,639

6. Cash and cash equivalents

	Consolidated 2010 $	2009 $
Cash at bank and on hand	**2,603,934**	4,046,199
Short term deposits	**20,874,167**	28,168,685
	23,478,101	32,214,884

(a) Reconciliation to statement of cash flows

	2010	2009
The above figures agree to cash at the end of the financial year as shown in the statement of cash flows	**23,478,101**	32,214,884

(b) Cash at bank and on hand

These are bearing interest rates of between 0.10% and 4% (2009: 0.15% and 5%).

(c) Deposits on call

The deposits are bearing floating interest rates between 4% and 5.8% (2009: 1% and 7.15%). These deposits have a maturity between 30 and 120 days.

7. Trade and other receivables

	Consolidated 2010 $	2009 $
Trade receivables	**11,759,790**	5,903,252
Other receivables	**94,812**	414,699
Prepayments	**1,705,852**	1,553,118
	13,560,454	7,871,069

No trade receivables are past their contractual terms at 30 June 2010.

8. Inventories

	Consolidated	
	2010	2009
	$	$
Stores and materials	**753,668**	441,512
	753,668	441,512

Stores and materials

Strategic spares held in stock for engineering breakdowns. Spares and materials are carried at the lower of cost or net realisable value.

9. Other financial assets

	Consolidated	
	2010	2009
Available for sale investments carried at fair value	**$**	$
Listed shares	**324,875**	8,080,416
Listed options	**32,400**	-
	357,275	8,080,416
Financial assets at fair value through profit and loss		
Listed shares	**80,000**	-
Total	**437,275**	8,080,416

Available for sale financial assets consist of investments in ordinary shares and options, and therefore have no fixed maturity date or coupon rate.

10. Investments accounted for using the equity method

	Consolidated	
	2010	**2009**
	$	**$**
Interest in jointly controlled entity (refer to note 24)	**3,797,167**	**3,967,132**

11. Deferred exploration expenditure

2010	**Mineral rights**	**Deferred exploration expenditure**	**Total**
	$	**$**	**$**
Balance at beginning of financial year	316,600	1,510,358	**1,826,958**
Acquired through business combination (Note 21)	55,922	65,883,405	**65,939,327**
Foreign currency movements	(10,642)	52,014	**41,372**
Direct expenditure for the year	-	1,540,826	**1,540,826**
Balance at end of financial year	361,880	68,986,603	**69,348,483**

11. Deferred exploration expenditure (continued)

2009	Mineral rights $	Deferred exploration expenditure $	Total $
Balance at beginning of financial year	568,274	1,160,036	1,728,310
Disposal of mining rights	(303,474)	-	(303,474)
Foreign currency movements	51,800	232,608	284,408
Direct expenditure for the year	-	117,714	117,714
Balance at end of financial year	316,600	1,510,358	1,826,958

Ultimate recovery of exploration and evaluation expenditure carried forward is dependent upon the recoupment of costs through successful development and commercial exploitation, or alternatively, by sale of the respective areas.

12. Property, plant and equipment

(a) Impairment of mining properties

On 27 April 2008 Sylvania announced that it had signed an amendment to an existing Services and Supply Agreement to treat run of mine ("ROM") from the Brokenhill, Spitzkop and Buffelsfontein East mining operations. It was expected that attributable PGM production would increase by approximately 6,000 ounces per annum in the short term, increasing to approximately 33% of production in five to six years as current dumps were depleted.

It was estimated that 300,000 tonnes of ROM material a year would be made available to Sylvania for treatment. This ROM was expected to have an average grade of 1.4 grams/ton and the chrome ore recovered from the treatment was to be returned to the supplier at a nominal charge.

First production of the PGM's from the ROM material retreatment was expected in the fourth quarter of 2008, ramping up to more than 200 ounces per month towards the end of the first quarter of 2009.

Subsequent to the agreement being signed the world economy went into a slump resulting in a change to the chrome market with the annual demand for chrome products being dramatically reduced. This resulted in the plans for mining of ROM material planned at Lannex plant serving Brokenhill and Spitzkop and the Mooinooi plant serving Buffelsfontein East being stopped. The Sylvania Board of Directors can in no way determine whether or not these mines will resume operations. This does not affect the carrying value of the Lannex plant as sufficient material has been identified for the Lannex plant to operate at design capacity.

The right to treat the ROM material from Brokenhill, Spitzkop and Buffelsfontein East Chrome mines cannot be sold to a third party and Sylvania is in no way entitled to any form of compensation for operations at these mines ceasing.

Subsequent to the financial year end at 30 June 2010 the Mooinooi Mine has been supplying ROM material to the Sylvania Mooinooi plant and this mining property is being depreciated at the current estimated useful life of the Mooinooi plant.

Based on the above information it was resolved by the Directors of Sylvania to undertake a conservative approach to the accounting of this transaction by impairing the asset valuation attributed to this transaction at the Sylvania Lannex plant, resulting in an impairment of R32,799,630 (A$4,923,880). A review was performed on the plants and no further impairment was considered necessary.

12. Property, plant and equipment (continued)

Consolidated 2010	Mining Property $	Construction in progress $	Plant and equipment $	Equipment $	Leasehold Improvements $	Computer equipment and software $	Furniture and fittings $	Office equipment $	Motor vehicles $	TOTAL $
At 1 July 2009										
Cost or fair value	10,384,363	38,073,021	19,420,798	273,508	41,147	151,719	58,605	101,062	530,801	**69,035,024**
Accumulated Depreciation	-	-	(3,395,329)	(54,471)	(13,267)	(51,301)	(23,747)	(42,199)	(190,134)	**(3,770,448)**
Net book value	10,384,363	38,073,021	16,025,469	219,037	27,880	100,418	34,858	58,863	340,667	**65,264,576**
Year ended 30 June 2010										
Opening net book value	10,384,363	38,073,021	16,025,469	219,037	27,880	100,418	34,858	58,863	340,667	**65,264,576**
Exchange differences	(457,555)	(1,594,817)	(81,308)	(1,830)	(1,018)	(3,087)	(1,227)	(1,984)	(13,073)	**(2,155,899)**
Additions	-	7,411,229	14,104,943	454,343	2,827	102,746	3,502	53,323	100,285	**22,233,198**
Disposals	-	-	(78,064)	-	-	(2,792)	(468)	-	(39,522)	**(120,846)**
Reallocations between asset classes	-	(20,412,475)	20,412,475	-	-	-	10,950	(10,950)	-	**-**
Acquired through business combination	-	-	84,177	-	-	1,025	2,866	-	-	**88,068**
Impairment (i)	(4,923,880)	-	-	-	-	-	-	-	-	**(4,923,880)**
Depreciation charge	-	-	(3,070,092)	(102,284)	(7,864)	(68,458)	(13,134)	(29,093)	(94,695)	**(3,385,620)**
	5,002,928	23,476,958	47,397,600	569,266	21,825	129,852	37,347	70,159	293,662	**76,999,597**
At 30 June 2010										
Cost or fair value	5,002,928	23,476,958	53,863,021	726,021	42,956	249,611	74,228	141,451	578,491	**84,155,665**
Accumulated Depreciation	-	-	(6,465,421)	(156,755)	(21,131)	(119,759)	(36,881)	(71,292)	(284,829)	**(7,156,068)**
	5,002,928	**23,476,958**	**47,397,600**	**569,266**	**21,825**	**129,852**	**37,347**	**70,159**	**293,662**	76,999,597

(i) Please refer to disclosure on impairment of mining properties in (a)

12. Property, plant and equipment (continued)

Consolidated 2009	Mining Property $	Construction in progress $	Plant and equipment $	Equipment $	Leasehold Improvements $	Computer equipment and software $	Furniture and fittings $	Office equipment $	Motor vehicles $	TOTAL $
At 1 July 2008										
Cost or fair value	8,685,342	6,811,505	15,185,495	235,076	36,013	85,351	53,422	66,871	335,958	31,495,033
Accumulated Depreciation	-	-	(1,738,616)	(15,119)	(5,735)	(30,619)	(13,869)	(25,382)	(87,376)	(1,916,716)
Net book value	8,685,342	6,811,505	13,446,879	219,957	30,278	54,732	39,553	41,489	248,582	29,578,317
Year ended 30 June 2009										
Opening net book value	8,685,342	6,811,505	13,446,879	219,957	30,278	54,732	39,553	41,489	248,582	29,578,317
Exchange differences	1,699,021	2,679,492	2,665,406	38,432	5,134	11,453	7,009	5,263	50,150	7,161,360
Additions	-	28,582,024	1,569,897	-	-	58,918	-	37,594	144,693	30,393,126
Disposals	-	-	-	-	-	(4,003)	-	(10,492)	-	(14,495)
Reallocations between asset classes	-	-	-	-	-	-	(1,826)	1,826	-	-
Depreciation charge	-	-	(1,656,713)	(39,352)	(7,532)	(20,682)	(9,878)	(16,817)	(102,758)	(1,853,732)
	10,384,363	38,073,021	16,025,469	219,037	27,880	100,418	34,858	58,863	340,667	65,264,576
At 30 June 2009										
Cost or fair value	10,384,363	38,073,021	19,420,798	273,508	41,147	151,719	58,605	101,062	530,801	69,035,024
Accumulated Depreciation	-	-	(3,395,329)	(54,471)	(13,267)	(51,301)	(23,747)	(42,199)	(190,134)	(3,770,448)
	10,384,363	38,073,021	16,025,469	219,037	27,880	100,418	34,858	58,863	340,667	65,264,576

12. Property, plant and equipment (continued)

(b) Leased assets

Equipment and motor vehicles include the following amounts where the Group is a lessee under a finance lease:

	Consolidated	
	2010	2009
	$	$
Equipment		
Cost	**628,046**	196,688
Accumulated Depreciation	**(103,881)**	(72,027)
	524,165	124,661
Motor vehicles		
Cost	**442,991**	322,150
Accumulated Depreciation	**(139,969)**	(62,258)
	303,022	259,892

	Future Minimum Lease Payments Due	**Finance Charges**	**Present Value of Minimum Lease Payments Due**
	$	**$**	**$**
At 30 June 2010			
Due within one year	**367,301**	**(56,725)**	**310,576**
Due between one and five years	**518,826**	**(76,808)**	**442,018**
	886,127	**(133,533)**	**752,594**
At 30 June 2009			
Due within one year	178,727	(29,078)	149,649
Due between one and five years	258,727	(24,157)	234,570
	437,454	(53,235)	384,219

(c) Non-current assets pledged as security

Leased assets are pledged as security for the related finance lease liability. No other non-current assets are pledged as security for any liabilities.

13. Trade and other payables

	Consolidated	
	2010	2009
	$	$
Trade payables [(i)]	**3,409,202**	4,968,534
Other payables	**2,286,895**	2,294,803
	5,696,097	7,263,337

[(i)] Trade payables are non-interest bearing and are normally settled on 60 day terms

14. Borrowings

	Consolidated	
	2010	2009
	$	$
Secured		
Current liabilities		
Payable within one year (Refer to Note 23)	**310,576**	149,649
Non –current liabilities		
Payable within 1-5 years (Refer to Note 23)	**442,019**	234,570

15. Provisions

	Consolidated	
	2010	2009
	$	$
Provision for rehabilitation	**935,855**	912,644
Movement in provision		
Balance at beginning of financial year	**912,644**	355,158
Arising during the year	**23,211**	557,486
Balance at end of financial year	**935,855**	912,644

Provision is made for close down, restoration and environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the financial period when the related environmental disturbance occurs, based on the estimated future costs using information available at the balance date.

Rehabilitation is performed and paid for on an on-going basis as mining properties are depleted. The majority of the rehabilitation will be undertaken progressively over the life of the mine during the depletion of each respective mining property. It is expected that the life of each mine could vary between 5 and 50 years.

16. Issued capital

	Consolidated		Consolidated	
	2010	2009	**2010**	2009
	No of shares	No of shares	**$**	$
(a) Share capital				
Ordinary shares				
Ordinary shares fully paid	**240,696,254**	179,354,273	**181,216,925**	117,945,504
Employee share plan shares	**2,383,000**	2,808,000	**-**	-
	243,079,254	182,162,273	**181,216,925**	117,945,504

Holders of ordinary shares are entitled to receive dividends as declared from time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the parent entity, ordinary shareholders rank after all creditors and are fully entitled to any proceeds on liquidation.

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	$
1 July 2009	Opening balance	179,354,273		117,945,504
5 August 2009	First tranche of shares under Sylvania Resources Limited take-over of GAU	4,020,754	-	5,307,395
5 August 2009	First tranche of shares under Sylvania Resources Limited take-over of SA Metals	22,562,120	-	29,781,998
21 August 2009	Second tranche of shares issued under the Sylvania Resources Limited takeover of GAU	3,729,475	-	4,195,659
21 August 2009	Second tranche of shares issued under the Sylvania Resources Limited takeover of SA Metals	2,623,903	-	2,951,891
31 August 2009	Issue to ineligible overseas shareholders of SA Metals	315,103	-	365,519
23 September 2009	Final issue for the compulsory take-over of SA Metals	1,541,636	-	1,903,920
9 October 2009	Final issue for the compulsory take-over of GAU	1,123,990	-	1,433,087
25 November 2009	Transfer from employee share plan	375,000	0.50	187,500
	Transfer share based payment reserve			68,633
17 December 2009	Issue through placement	25,000,000	0.72*	18,167,000
18 May 2010	Share issued from employee share plan	50,000	0.90	45,000
	Transfer from share based payment reserve			11,350
	Transaction costs			(1,147,531)
	On issue at the end of the year	**240,696,254**		**181,216,925**

* The issue price has been rounded from 0.72668

16. Issued capital (continued)

(c) Movements in employee share plan shares issued with limited recourse employee loans

Date	Details	Number of shares	Issue price
1 July 2009	On issue at beginning of the year	2,808,000	
25 November 2009	Transferred to ordinary shares	(375,000)	$0.50
18 May 2009	Transferred to ordinary shares	(50,000)	$0.90
	On issue at the end of the year	**2,383,000**	

Information relating to the employee share plan, including details of shares issued under the plan, is set out in Note 19.

Share options

	Number of options	
	2010	2009
Employee option plan options exercisable (refer note 19)		
-at $0.75 per share on or before 30 June 2010	**-**	600,000
-at $1.63 per share on or before 30 June 2011	**2,816,500**	-
-at $1.05 per share on or before 30 June 2012	**3,000,000**	-
-at $1.40 per share on or before 30 June 2011	**359,909**	-
-at $2.67 per share on or before 30 June 2011	**600,000**	300,000
-at $2.89 per share on or before 30 June 2011	**400,000**	200,000
	7,176,409	1,100,000

17. Reserves

Consolidated	**Net Unrealised Gains Reserve**	**Share Based Payments Reserve**	**Foreign Currency Translation Reserve**	**Non-controlling interests premium reserve**	**Total**
	$	**$**	**$**	**$**	**$**
At 1 July 2008	-	989,100	(13,447,935)	-	(12,458,835)
Unrealised gain / (loss) on available-for-sale financial assets	5,853,835	-	-	-	5,853,835
Currency translation differences	-	-	12,927,781	-	12,927,781
Tax effect	-	-	(3,878,334)	-	(3,878,334)
Non-controlling interest premium reserve	-	-	-	2,388,887	2,388,887
Share and option-based payments transferred to share capital	-	(327,662)	-	-	(327,662)
Share and option-based payments expense	-	2,744,524	-	-	2,744,524
At 30 June 2009	**5,853,835**	**3,405,962**	**(4,398,488)**	**2,388,887**	**7,250,196**

17. Reserves (continued)

Consolidated	Net Unrealised Gains Reserve	Share Based Payments Reserve	Foreign Currency Translation Reserve	Non-controlling interests premium reserve	Total
	$	$	$	$	$
At 30 June 2009	**5,853,835**	**3,405,962**	**(4,398,488)**	**2,388,887**	**7,250,196**
Unrealised gain / (loss) on available-for-sale financial assets	28,554	-	-	-	28,554
Transfer to profit and loss	(5,420,747)	-	-	-	(5,420,747)
Currency translation differences	-	-	(2,054,732)	-	(2,054,732)
Tax effect	-	-	575,325	-	575,325
Share and option-based payments transferred to share capital	-	494,152	-	-	494,152
Share and option-based payments expense	-	5,102,121	-	-	5,102,121
At 30 June 2010	**461,642**	**9,002,235**	**(5,877,895)**	**2,388,887**	**5,974,869**

Nature and purpose of reserves

- **Net unrealised gains reserve**
  This reserve records fair value changes on available for sale investments.

- **Foreign currency translation reserve**
  The foreign currency translation reserve is used to record exchange differences arising from the translation of financial statements of foreign controlled entities.

- **Share based payment reserve**
  This reserve is used to record the value of equity benefits provided to employees, consultants and directors as part of their remuneration. Refer note 28.

- **Non-controlling interests premium reserve**
  This reserve arises as a result of the difference between the amount initially recognised in relation to the minority shareholders in Sylvania Metals (Pty) Ltd and Sylvania Minerals (Pty) Ltd and the nil consideration received.

18. Accumulated losses

	Consolidated	
	2009	2009
	$	$
Balance as at 1 July	**(20,371,139)**	(16,847,066)
Loss for the year	**(7,925,116)**	(3,524,073)
Balance as at 30 June	**(28,296,255)**	(20,371,139)

19. Share based payment

(a) Employee option plan

An employee incentive option plan was approved at the 2007 annual general meeting.

Participants of the option plan are determined by the Board and can be employees and directors of, or consultants to, the Company or a controlled entity. The Board considers length of service, seniority, responsibilities, potential contribution and any other relevant matters in determining eligibility of potential participants. The Board has sole responsibility to determine the number of options and terms and conditions of options granted to any participant.

The options issued under the option plan will be granted free of charge. The exercise price for the options is to be not less than the weighted average share price for the last five trading days immediately preceding the options being offered to the participant.

The expiry date of the options will be determined by the Board and will also lapse within one month of the participant ceasing to be a director, employee or consultant of the Company or a controlled entity (subject to certain exceptions). The Board at its discretion may apply certain vesting conditions upon any options issued under the plan.

The options can only be exercised after the expiry of the following periods:

- after 12 months have lapsed from the acceptance date, in respect of not more than one half of the total number of options; and

- after 24 months have lapsed from the acceptance date, in respect to the balance of those options.

The options are not transferable without prior written approval from the Board. The options will not be quoted on a publicly traded stock market; however application will be made for ASX/AIM quotation of the shares issued upon the exercise of the options.

Set out below are summaries of options granted under the plan:

Consolidated and parent entity – 2010

Grant date	Expiry date	Exer-cise price	Fair value at grant date	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at the end of the year Number	Vested and exercisable at end of year Number
17 Oct 2006	30 Jun 2010	$0.75	$0.34	600,000	-	-	(600,000)	-	-
17 Mar 2008	30 Jun 2011	$2.89	$1.09	400,000	-	-	-	400,000	400,000
17 Mar 2008	30 Jun 2011	$2.67	$1.14	600,000	-	-	-	600,000	600,000
18 Aug 2008	30 Jun 2011	$1.63	$1.33	3,383,000	-	-	-	3,383,000	1,691,500
18 Dec 2008	30 Jun 2011	$1.63	$1.63	2,250,000	-	-	-	2,250,000	1,125,000
10 Jun 2009	30 Jun 2012	$1.05	$1.55	6,000,000	-	-	-	6,000,000	3,000,000
31 Jul 2009	30 Jun 2010	$1.40	$1.21	-	457,435	-	(457,435)	-	-
31 Jul 2009	30 Jun 2011	$1.40	$1.21	-	359,909	-	-	359,909	359,909
Total				13,233,000	817,344	-	(1,057,435)	12,992,909	7,176,409
Weighted average exercise price				$1.41	$1.40	-	$1.03	$1.44	$1.53

The weighted average remaining contractual life of the share options is 1.47 years (2009: 2.32 years).

19. Share based payments (continued)

Consolidated and parent entity – 2009

Grant date	Expiry date	Exercise price	Fair value at grant date	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Balance at the end of the year Number	Vested and exercisable at end of year Number
20 Apr 2006	30 Jun 2009	$0.50	$0.56	500,000	-	(500,000)	-	-
17 Oct 2006	30 Jun 2010	$0.75	$0.34	600,000	-	-	600,000	600,000
17 Mar 2008	30 Jun 2011	$2.89	$1.09	400,000	-	-	400,000	200,000
17 Mar 2008	30 Jun 2011	$2.67	$1.14	600,000	-	-	600,000	300,000
18 Aug 2008	30 Jun 2011	$1.63	$1.33	-	3,383,000	-	3,383,000	-
18 Dec 2008	30 Jun 2011	$1.63	$1.63	-	2,250,000	-	2,250,000	-
10 Jun 2009	30 Jun 2012	$1.05	$1.55	-	6,000,000	-	6,000,000	-
Total				2,100,000	11,633,000	(500,000)	13,233,000	1,100,000
Weighted average exercise price				$1.65	$1.33	$0.50	$1.41	$1.66

No options were forfeited during the periods covered by the above tables.

The weighted average share price at the date of exercise of options during the year ended 30 June 2010 was nil as no options were exercised during the current financial year (2009: $1.41).

The model inputs for options granted during the year ended 30 June 2010 included:

		Options granted at $1.40 per share	Options granted at $1.40 per share
Options granted as replacement options for no consideration to the Directors of SA Metals Limited as part of the acquisition (refer Note 21), having a limited life and exercisable immediately on the date of grant.			
(i)	Share price at grant date	$1.21	$1.21
(ii)	Share price volatility of the Company's shares	98.10%	98.10%
(iii)	Expected dividend yield	Nil	Nil
(iv)	Risk-free interest rate	4.89%	4.89%
(vi)	Option life	11 months	23 months

(b) Employee share plan

An employee incentive share plan was approved at the 2007 Annual General Meeting.

Participants of the plan are determined by the Board and can be employees, consultants and directors of, or consultants to, the Company or a controlled entity. The Board considers length of service, seniority, responsibilities, potential contribution and any other relevant matters in determining eligibility of potential participants.
The issue price for the shares issued under the plan are not less than the weighted average share price for the last five trading days immediately preceding the offer to the participant.

19. Share based payments (continued)

A participant who is invited to subscribe for shares under the plan may also be invited to apply for a loan up to the amount payable in respect of the shares accepted by the participant. These loans are to be made on the following terms:

- Applied directly against the issue price of the shares to be acquired under the plan;
- For a term to be determined by the Board;
- Repayable to the extent of the lesser of the issue price of the relevant shares issued, less any cash dividends applied against the outstanding principal, and the last market sale price of the shares on the date of repayment of the loan;
- The loan must be repaid in full prior to expiry of the loan;
- The Company will have a lien over the shares in respect of which a loan is outstanding;
- Shares issued under the plan are not transferable while a loan amount in respect of those shares remains payable; and
- Shares issued under the share plan will not be quoted on a publicly traded stock market while a loan amount in respect of those shares remains payable.

The shares can only be transferred or otherwise dealt with until after the expiry of the following periods:

- After 12 months have lapsed from the acceptance date, in respect of not more than one half of the total number of shares; and
- After 24 months have lapsed from the acceptance date, in respect to the balance of those shares.

All shares issued under the employee share plan with non-recourse loans are considered to be options and are accounted for in accordance with note 1(z).

Set out below are summaries of shares issued under the plan:

Consolidated and parent entity – 2010

Issue Date	Expiry Date	Exercise Price $	Balance at start of the year Number	Issued during the year Number	Other changes during the year Number	Balance at the end of the year Number	Vested at the end of the year Number
21 Dec 2005	21 Dec 2009	0.50	375,000	-	(375,000)	-	-
20 Dec 2006	20 Dec 2010	0.90	250,000	-	(50,000)	200,000	200,000
17 Mar 2008	30 Jun 2011	2.89	500,000	-	-	500,000	500,000
17 Mar 2008	30 Jun 2011	2.67	33,000	-	-	33,000	33,000
18 Aug 2008	30 Jun 2011	1.63	950,000	-	-	950,000	475,000
23 Dec 2008	30 Jun 2011	1.63	700,000	-	-	700,000	350,000
Total			2,808,000	-	(425,000)	2,383,000	1,558,000

19. Share based payments (continued)

Consolidated and parent entity - 2009

Issue Date	Expiry Date	Exercise Price	Balance at start of the year	Issued during the year	Other changes during the year	Balance at the end of the year	Vested at the end of the year
		$	Number	Number	Number	Number	Number
21 Dec 2005	21 Dec 2009	0.50	625,000	-	(250,000)	375,000	375,000
20 Dec 2006	20 Dec 2010	0.90	270,000	-	(20,000)	250,000	250,000
17 Mar 2008	30 Jun 2011	2.89	500,000	-	-	500,000	250,000
17 Mar 2008	30 Jun 2011	2.67	33,000	-	-	33,000	16,500
18 Aug 2008	30 Jun 2011	1.63	-	950,000	-	950,000	-
23 Dec 2008	30 Jun 2011	1.63	-	700,000	-	700,000	-
Total			1,428,000	1,650,000	(270,000)	2,808,000	891,500

	Consolidated 2010 $	Consolidated 2009 $
Options issued under employee option plan	**4,865,709**	2,361,336
Shares issued under employee share plan	**236,412**	383,187
Total expense	**5,102,121**	2,744,523

20. Financial instruments

(a) Capital risk management

The Group manages its capital to ensure that all companies within the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. Due to the inherent risks involved in mining the Directors prefer not to utilise funding from financing institutions.

The Group's overall strategy remains unchanged from 2009.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent comprising issued capital, reserves and retained earnings/accumulated losses.

None of the Group's companies are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax, dividends and general administrative outgoings.

(b) Categories of financial instruments

	Consolidated 2010 $	Consolidated 2009 $
Financial assets		
Loans and receivables	**13,560,454**	7,871,069
Cash and cash equivalents	**23,478,101**	32,214,884
Financial assets at fair value through profit & loss	**80,000**	-
Available for sale financial assets	**357,275**	8,080,416
	37,475,830	48,166,369
Financial liabilities		
Financial liabilities	**6,448,692**	7,647,556
	6,448,692	7,647,556

20. Financial instruments (continued)

(c) Financial risk management objectives

The Group is exposed to market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

(d) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates, commodity prices and exchange rates.

There has been no change at the reporting date to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period. Refer to Note (e) for further information.

(i) Foreign currency sensitivity analysis

The Group is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the denomination in which metal prices are determined and year end assets and liabilities are converted. Refer to Note (e) for further information.

(ii) Price risk

Trade receivables at year-end

Commodity prices are set in US Dollars but invoiced in South African Rand. A variance of 10% in commodity prices or the exchange rate of the US Dollars to the South African Rand, in which commercial activity is undertaken, will result in a gain of A$746,314 (2009: A$359,437) or a loss of the same amount on a Group level. The effect on equity will be the same.

(iii) Interest rate risk

All cash balances attract a floating rate of interest. The unsecured loan to another party does not attract interest. Refer to Note (f) for further information.

The Group's exposure to interest rate risk arises from cash balances and long term borrowings, relating to finance leases on motor vehicles and equipment.

(e) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	Liabilities		Assets	
	2010	2009	2010	2009
	$	$	$	$
Great British Pounds (GBP)	-	-	2,310	22,813,165
South African Rand (ZAR)	(5,165,740)	(6,936,130)	18,801,504	16,867,938

20. Financial instruments (continued)

Foreign currency sensitivity analysis

The Group is exposed to Great British Pound (GBP) and South African Rand (ZAR) currency fluctuations.

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian Dollar (AUD) against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes cash balances held in GBP, external loans as well as loans to foreign operations within the Group held in ZAR but denominated and repayable in AUD which give rise to a foreign currency gain or loss on revaluation. A positive number indicates an increase in profit and other equity where the AUD strengthens against the ZAR. In relation to cash balances held in GBP a positive number indicates an increase in profit and other equity where the Australian Dollar strengthens against the respective currency. For a weakening of the Australian Dollar against the respective currency there would be an equal and opposite impact on the profit and other equity and the balances below would be negative.

		2010		2009	
		Profit / (loss)	**Equity Increase / (decrease)**	Profit / (loss)	Equity Increase / (decrease)
		$	$	$	$
AUD strengthens 10%	- ZAR[(i)]	-	10,288,475	-	5,489,112
	- GBP	244	244	2,072,736	2,072,736
AUD weakens 10%	- ZAR	-	(8,417,843)	-	(4,491,092)
	- GBP	(244)	(244)	(2,072,736)	(2,072,736)

[(i)] Foreign currency gains or losses on intercompany loans are transferred to equity in accordance with Note 1(m). Therefore, there is no impact on profit.

This is mainly attributable to the exposure of loans to foreign operations and as well as that of outstanding GBP cash balances at year end. During the current financial year, all investments in British Pounds were converted to Australian Dollar investments, thereby reducing the foreign currency risk.

(f) Interest rate risk management

The Company and the Group are exposed to interest rate risk as entities in the Group maintain funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate liquid funds.

The Company and Group's exposure to interest rate on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate risk sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the change in interest rates.

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, there would have been an immaterial change in post tax loss for the year. The impact on equity would have been the same.

20. Financial instruments (continued)

Equity price sensitivity
The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

At reporting date, if the equity prices had been 5% higher or lower:

- Net loss for the year ended 30 June 2010 would have been immaterial; and
- Other equity reserves would decrease/increase by $21,864 (2009: decrease/increase by $406,826) for the Group, mainly as a result of the changes in fair value of available-for-sale shares.

(h) **Credit risk management**

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. This information is supplied by independent rating agencies where available and, if not available, the Group uses publicly available financial information and its own trading record to rate its major customers.

The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions conducted is spread amongst approved counterparties.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk.

(i) **Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements.

Consolidated	Less than 1 month	1 – 3 months	3 months – 1 year	1 – 5 years	5+ years	Total
	$	$	$	$	$	$
2010						
Non-interest bearing	-	5,696,097	-	-	-	5,696,097
Finance lease liability	-	-	310,576	442,019	-	752,595
Variable interest rate instruments	-	-	-	-	-	-
Fixed interest rate instruments	-	-	-	-	-	-
	-	5,696,097	310,576	442,019	-	6,448,692
2009						
Non-interest bearing	-	7,263,337	-	-	-	7,263,337
Finance lease liability	-	-	148,665	235,553	-	384,218
Variable interest rate instruments	-	-	-	-	-	-
Fixed interest rate instruments	-	-	-	-	-	-
	-	7,263,337	148,665	235,553	-	7,647,555

20. Financial instruments (continued)

The above tables detail the Group's remaining contractual maturity for its financial liabilities. These are based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

(j) **Fair value of financial instruments**

For financial assets and liabilities, the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form, other than listed investments. The Company has no financial assets where carrying amount exceeds net fair value at balance date.

(f) Fair value of financial instruments

As of 1 July 2009, Sylvania has adopted the amendments to AASB 7 *Financial Instruments: Disclosures* which require disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table present the group's assets and liabilities measured and recognised at fair value at 30 June 2010. Comparative information has not been provided as permitted by the transitional provisions of the new rules.

Consolidated	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Available for sale financial assets	357,275	-	-	357,275
Financial assets at fair value through profit or loss	80,000	-	-	80,000
	437,275	-	-	437,275

21. Business combination

Acquisition of Great Australian Resources Limited

On 31 July 2009, Sylvania Resources Limited acquired a controlling interest in Great Australian Resources Limited (“GAU”). On 16 October 2009 acquisition of the remaining non-controlling interest was completed and GAU became 100% owned by Sylvania. The acquisition was satisfied by the issue of one Sylvania share for every 12 GAU shares held. There was no material interest of the non-controlling interest in the results of GAU in the intervening period.

The Group had a 19.9% interest in GAR prior to the acquisition of the controlling interest. In accordance with AASB 3, this 19.9% interest was revalued on acquisition date to $2,445,538 with the gains on revaluation and associated tax effect of the reserves being transferred to the statement of comprehensive income.

The total cost of the acquisition was $10,936,142 and comprised solely of the issue of 8,874,219 Sylvania shares. The value of the shares issued was based on the market price of the shares at the date of exchange. The Group has recognised the fair values of the identifiable assets and liabilities of GAU based upon the best information available as of the reporting date.

Business combination accounting is as follows:

Acquisition of Great Australian Resources Limited

	Consolidated	
	Fair value at acquisition date **$**	***Carrying value*** **$**
Property, plant and equipment	86,734	86,734
Cash and cash equivalents	1,329,933	1,329,933
Trade and other receivables	135,191	135,169
Financial assets through profit and loss	170,000	170,000
Exploration expenditure	13,637,146	-
Trade payables	(91,056)	(91,056)
Deferred tax liability	(1,686,268)	-
Total consideration	13,581,680	1,630,780

Acquisition date fair value of consideration transferred:	
Shares issued, at fair value	10,936,142
Existing equity interest at cost	2,645,538
Consideration transferred	13,581,680
Direct costs relating to the acquisition	283,780

	Consolidated $
The cash inflow on acquisition is as follows:	
Cash paid	-
Net cash acquired with the subsidiary	1,329,933
Net cash inflow	1,329,933

There were no contingent elements to the consideration given.

GAU was delisted from the Australian Securities Exchange on 16 December 2009 and was converted to a Proprietary Limited company on 20 May 2010.

21. Business combination (continued)

Acquisition of SA Metals Limited

On 31 July 2009, Sylvania Resources Limited acquired a controlling interest in SA Metals Limited ("SAM"). On 24 September 2009 acquisition of the remaining non-controlling interest was completed and SAM became 100% owned by Sylvania. The acquisition was satisfied by the issue of one Sylvania share for every 10 SAM shares held. There was no material interest of the non-controlling interest in the results of SAM in the intervening period.

The Group had a 12.3% interest in SAM prior to the acquisition of the controlling interest. In accordance with AASB3, this 12.3% interest was revalued on acquisition to $4,948,590 with the gains on revaluation and associated tax effect of the reserves being transferred to the statement of comprehensive income.

The total cost of the acquisition was $35,003,329 and comprised solely of the issue of 27,042,762 Sylvania shares. The value of the shares issued was based on the market price of the shares at the date of exchange. The Group has recognised the fair values of the identifiable assets and liabilities of SAM based upon the best information available as of the reporting date.

Acquisition of SA Metals Limited

	Consolidated	
	Fair value at acquisition date **$**	***Carrying value*** **$**
Property, plant and equipment	3,600	3,600
Cash and cash equivalents	1,698,686	1,698,686
Trade and other receivables	102,509	102,509
Exploration expenditure	52,496,849	5,378,953
Trade payables	(134,347)	(134,347)
Deferred tax liability	(13,901,245)	-
Total consideration	40,266,052	7,049,401

Acquisition date fair value of consideration transferred:	
Shares issued, at fair value	35,003,329
Cost of replacement option awards (i)	314,133
Existing equity interest at cost	4,948,590
Consideration transferred	40,266,052
Direct costs relating to the acquisition	327,285

	Consolidated $
The cash outflow on acquisition is as follows:	
Cash paid	-
Net cash acquired with the subsidiary	1,698,686
Net cash outflow	1,698,686

(i) 457,435 options exercisable at $1.40 expiring 30 June 2010 and 359,909 options exercisable at $1.40 expiring 30 June 2010 were issued to certain former directors and officers of SA Metals Ltd as replacement options for their pre-acquisition options. As no post-combination service is required the value attributed to these options under the Black-Scholes model (refer Note 19) has been allocated as a cost of the combination.

There were no contingent elements to the consideration given.

SA Metals was delisted from the Australian Securities Exchange on 9 September 2009 and was converted to a Proprietary Limited company on 23 April 2010.

21. Business combination (continued)

If the acquisition had taken place at the beginning of the year, the profit or loss of the combined entity for the current reporting period as though the acquisition date for all business combinations that occurred during the year had been as of the beginning of the annual reporting period would be $8,103,605. The two entities acquired did not generate any revenue for the period 1 July 2009 to date of acquisition, therefore there would have been no increase to the consolidated revenue had the acquisition date for all business combinations occurred at the beginning of the reporting period.

Acquisition related costs of $611,065 are included in other expenses in the statement of comprehensive income. Directly attributable costs of raising equity have been included as a deduction from equity.

22. Reconciliation of profit after tax to net cash outflow from operating activities

(a) **Reconciliation of profit / (loss) from ordinary activities after income tax to net cash inflow / (outflow) from operating activities**

	Consolidated	
	2010	2009
	$	$
Loss from ordinary activities	(8,603,570)	(3,756,772)
Administration fee charged to controlled entities	-	-
Depreciation	3,383,482	1,853,732
Joint venture cash distribution	(725,637)	1,510,100
Equity accounted net profit from joint venture	750,600	(270,985)
Capital (gain) on sale of non-current assets	55,274	13,272
Net (gain) / loss on sale of available-for-sale financial assets	-	(5,918)
Payments for exploration & evaluation	126,163	-
Impairment of available for sale assets	90,000	1,710,898
Impairment of mining property	4,923,880	-
Net foreign exchange differences	3,436,741	244,303
Gain on investment through business combination	(5,420,747)	-
Share-based compensation	5,102,121	2,744,523
Impairment of loan to controlled entity		-
(Increase)/decrease in prepayments & other debtors	335,056	(40,208)
(Increase)/decrease in debtors	(6,632,750)	8,699,682
(Increase)/decrease in accrued interest	(10,227)	383,212
(Increase)/decrease in GST/VAT recoverable	268,487	(268,090)
(Increase)/decrease in inventories	(334,458)	(214,072)
(Increase)/decrease in tax assets	(61,280)	-
Net exchange differences on payment to supplies and employees	(607,893)	(471,950)
Increase/(decrease) in trade creditors	(1,628,632)	3,569,334
Increase/(decrease) in accruals and other creditors	(237,838)	1,496,573
Increase/(decrease) in GST/VAT recoverable	154,359	(393,027)
Increase/(decrease) in group tax clearing	(5,720)	(11,851)
Increase/(decrease) in income tax expense	3,061,505	3,060,868
Net cash inflow/(outflow) from operating activities	(2,581,084)	19,853,624

(b) **Non-cash financing and investing activities**

A total of 35,916,981 shares were issued as consideration for the acquisition of SA Metals Limited and Great Australian Resources Limited (refer Note 21).

23. Commitments and contingencies

(a) Operating lease commitments

Office premises

The Group entered into commercial lease arrangements during the period to lease its current office premises, both in Perth and Johannesburg.

Future minimum lease payments (net of GST) as at 30 June are as follows:

	Consolidated		Parent	
	2010 **$**	2009 $	**2010** **$**	2009 $
Within 1 year	**288,632**	113,153	**117,194**	129,688
After 1 year but not more than 5 years	**578,285**	296,410	**241,001**	586,921
More than 5 years	**-**	-	**-**	-
	866,917	409,563	**358,195**	716,609

Office equipment

Sylvania South Africa (Pty) Limited entered into a number of lease agreements during the period in respect to office equipment.

Future minimum lease payments (net of GST) as at 30 June are as follows:

Within 1 year	**22,544**	20,517	**-**	-
After 1 year but not more than 5 years	**79,678**	75,112	**-**	-
More than 5 years	**-**	-	**-**	-
	102,222	95,629	**-**	-

Finance lease commitments

Motor vehicles

Sylvania Metals (Pty) Limited entered into three new instalment sale agreements during the period in respect of motor vehicles.

Future minimum lease payments (net of GST) as at 30 June are as follows:

Within 1 year	**211,270**	178,727	**-**	-
After 1 year but not more than 5 years	**63,491**	258,727	**-**	-
More than 5 years	**-**	-	**-**	-
	274,761	437,454	**-**	-

Plant and equipment

Sylvania Metals (Pty) Limited entered into three new instalment sale agreements during the period in respect of plant and equipment.

Future minimum lease payments (net of GST) as at 30 June are as follows:

Within 1 year	**99,306**	-	**-**	-
After 1 year but not more than 5 years	**378,528**	-	**-**	-
More than 5 years	**-**	-	**-**	-
	477,834	-	**-**	-

23. Commitments and contingencies (continued)

Commitments for plant construction

At 30 June 2010 commitments were signed for continued improvements of Millsell, Steelpoort, Mooinooi and Doornbosch plants as well as the construction of the new tailings dam at Lannex.

	Consolidated	
	2010 **$**	2009 $
Within 1 year	**5,171,528**	4,698,926
After 1 year but not more than 5 years	**-**	-
More than 5 years	**-**	-
	5,171,528	4,698,925

(b) Contingencies

(i) Contingent liabilities

On 6 January 2010, Sylvania signed an agreement with Minex Projects (Pty) Ltd ("Minex") for the cancellation of a claim against SA Metals for future royalties of 3% on sales of minerals extracted from certain defined properties where SA Metals holds the Mineral Rights.

In terms of the new agreement signed with Minex, Sylvania would pay R5 million and issue 3,000,000 shares to Minex in return for the termination/cancellation of the Royalty Agreement. This represents a substantial discount to the value of the claim.

The agreement between Sylvania and Minex was subject to Sylvania, by 30 June 2010 conducting metallurgical test work on the properties to its reasonable satisfaction.

A payment of R1 million (A$150,120) was made to Minex on 29 January 2010 as a deposit. The balance of R4 million (A$600,480) was paid on 1 July 2010, however at reporting date the shares had not yet been issued. The issue of the 3 million Sylvania shares, which will be issued in tranches of 500,000 on a six monthly basis, is pending receipt of South African Reserve Bank ("SARB") approval by Minex.

As a result of the pending SARB approval the value of the shares to be issued on an indeterminable date cannot be reliably estimated.

24. Interest in joint venture

	Consolidated	
	2010 **$**	2009 $
Retained earnings attributable to interest in jointly controlled entity		
Balance at beginning of financial period	**1,601,506**	2,794,604
Distribution received from jointly controlled entity	**(750,600)**	(1,510,100)
Share of jointly controlled entity's profit from ordinary activities after income tax	**865,972**	317,002
Balance at end of financial period	**1,716,878**	1,601,506
Reserves attributable to interest in jointly controlled entity		
	-	-
	-	-

24. Interest in joint venture (continued)

	Consolidated 2010 $	Consolidated 2009 $
Carrying amount of investment in jointly controlled entity		
Balance at beginning of the financial period	**5,675,910**	6,915,025
Other	**-**	-
Distribution received from jointly controlled entity	**(750,600)**	(1,510,100)
Distribution received in respect of management fees	**(140,335)**	(46,017)
Share of jointly controlled entity's profit from ordinary activities, after income tax	**865,972**	317,002
Balance at end of financial period	**5,650,947**	5,675,910
Foreign currency translation movements		
Balance at beginning of financial period	**(1,708,778)**	(2,510,558)
Movement during the financial period	**(145,002)**	801,780
Balance at end of financial period	**(1,853,780)**	(1,708,778)
	3,797,167	3,967,132

Share of joint venture entity's results and financial position

	Consolidated 2010 $	Consolidated 2009 $
Current assets	**1,989,487**	1,904,596
Non-current assets	**841,567**	981,505
Total assets	**2,831,054**	2,886,101
Current liabilities	**319,884**	255,369
Non-current liabilities	**1,691**	-
Total liabilities	**321,575**	255,369
Revenue	**2,003,490**	1,270,707
Expenses	**86,618**	(953,705)
Management fees	**(1,224,135)**	-
Profit from ordinary activities before income tax	**865,973**	317,002
Income tax expense	**-**	-
Profit from ordinary activities after income tax	**865,973**	317,002

Contingencies & commitments

The jointly controlled entity does not have any contingencies or capital commitments.

25. Events after the balance sheet date

On 29 September 2010 Sylvania entered into a Share Exchange Agreement to consolidate its ownership in its dump operations by acquiring a further 26% shareholding in Sylvania Metals so that Sylvania now owns 100% of Sylvania Metals.

The Share Exchange took place between Sylvania, which previously owned 74% of Sylvania Metals and Africa Asia Capital Ltd ("AAC"), which recently acquired the remaining 26% of Sylvania Metals,

25. Events after the balance sheet date (continued)

previously held by Ehlobo Metals (Pty) Ltd a Black Economic Empowerment group whom had previously notified Sylvania of their intent to divest their stake.

Until now it was not possible for Sylvania to acquire the 26% shares of Sylvania Metals as a provision in the Services and Supply Agreement ("S&SA"), between Sylvania Metals and Samancor, required Sylvania Metals to be BEE compliant whilst operating under the S&SA. This provision has now been waived by Samancor.

The consideration for the exchange will be the issue of a maximum of 58.8 million Sylvania shares, which will, if all the shares are issued, comprise 19.5% of Sylvania issued capital post the transaction. Sylvania has agreed to issue 7,711,888 shares immediately to AAC and will seek shareholder approval for the issue of the remaining shares over the next 13 months. To this end Sylvania intends to shortly call a meeting of shareholders. In the event of Sylvania not being able to transfer the required shares to AAC, Sylvania will pay a cash amount equivalent to the share value over a 13 month period using a floor and ceiling mechanism for the share value to ensure that the cash value will not exceed the intrinsic value of the shares subject to a maximum payment value of US$50 million. Sylvania will pay accrued interest on the outstanding nominal cash balance over the life of the payment schedule adopted by Sylvania.

Sylvania may also pay for the exchange through a mixture of cash and shares.

As part of this contract, AAC have undertaken not to sell their stake for a twelve month period after the issue of each tranche of shares unless agreed with Sylvania. The transaction may be subject to FIRB approval which will be sought if required.

26. Parent entity disclosures

Financial position

	Year ended	
	30 June 2010	30 June 2009
	$	$
Assets		
Current assets	**15,401,186**	25,417,484
Non-current assets	**128,866,411**	61,267,541
Total assets	**144,267,597**	86,685,025
Liabilities		
Current liabilities	**271,854**	717,334
Non-current liabilities	**-**	-
Total liabilities	**271,854**	717,334
Equity		
Issued capital	**181,216,925**	117,945,504
Accumulated losses	**(46,235,053)**	(41,125,226)
Reserves		
Unrealised gains	**271,636**	5,741,451
Share-based payments	**8,742,235**	3,405,962
Total equity	**143,995,743**	85,967,691

26. Parent entity disclosures (continued)

Financial performance

	Year ended 30 June 2010 $	30 June 2009 $
Loss for the year	**(5,109,827)**	(8,976,968)
Other comprehensive income / (loss)	**(5,469,815)**	5,741,451
Total comprehensive loss	**(10,579,642)**	(3,235,517)

Contingent liabilities of the parent entity

For details on commitments and contingent liabilities, see Note 23.

27. Auditors' remuneration

	Consolidated 2010 $	2009 $
The auditors of the parent entity are HLB Mann Judd		
Amounts received or due to be receivable by HLB Mann Judd for:		
- An audit or review of the financial report of the entity	**135,500**	91,000
- Assurance services	**44,000**	-
Amounts received or due and receivable by non-HLB Mann Judd audit firms:		
- An audit or review of the financial report of any other entity in the Group	**265,179**	154,537
- Taxation and advisory services	**66,827**	473
- Other non-audit services	**241**	3,048
Total auditors' remuneration	**511,747**	**249,058**

28. Key management personnel disclosure

(a) Directors

The following persons were directors of Sylvania Resources Limited during the financial year:

Chairman – non-executive
R D Rossiter

Executive directors

T M McConnachie	Managing Director
L M Carroll	Finance Director
G M Button	Executive Director

Non-executive directors
Dr AP Ruiters

28. Key management disclosure (continued)

(b) Other key management personnel

J Meyer	Managing Director: Sylvania Metals (Pty) Limited
Z Marinkovic	Director: Sylvania Metals (Pty) Limited
C De Vos	Internal Legal Advisor
P Carter	General Manager: Exploration
Dr P J Cox	Strategic Planner

(c) Key management personnel compensation

	Consolidated	
	2010	2009
	$	$
Short-term	**3,085,985**	2,630,065
Post employment	**10,800**	10,791
Share-based payments	**-**	1,264,227
Total remuneration	**3,096,785**	3,905,083

The Group has applied the exemption available under Corporations Amendments Regulation 2006 to transfer key management personnel remuneration disclosures required by Accounting Standard AASB 124 *Related Party Disclosures'* paragraphs Aus 25.4 to Aus 25.7.2 to the Remuneration Report section of the Directors' report. These transferred disclosures have been audited.

(d) Compensation options: granted under the employee option plan

Options provide as remuneration and shares issued on exercise of such options.

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in section D of the remuneration report.

(e) Compensation shares: issued under the employee share plan

Shares provided as remuneration.

Details of shares provided as remuneration can be found in section D of the remuneration report.

(f) Shares issued on exercise of compensation options

2010 Name	Shares Issued Number	Paid per Share (note 19) $	Unpaid per Share (note 19) $
E Kirby	375,000	0.50	-
M Burchnall	50,000	0.90	-

2009 Name	Shares Issued Number	Paid per Share (note 19) $	Unpaid per Share (note 19) $
T McConnachie	500,000	$0.50	(250,000)*
M Langoulant	250,000	$0.50	(125,000)#
M Burchnall	20,000	$0.90	-

* This loan was fully repaid on 10 July 2009

\# At 30 June 2010 $75,000 was still outstanding

28. Key management disclosure (continued)

(g) Option holding

2010 Name	Balance at start of the year	Granted during the year	Exercised during the year	Other changes during the year	Balance at end of the year	Vested and exercisable at end of the year
Director						
T M McConnachie	1,750,000	-	-	-	1,750,000	875,000
Dr A P Ruiters	400,000	-	-	-	400,000	300,000
L M Carroll	500,000	-	-	(200,000)	300,000	150,000
Key management personnel						
J Meyer	900,000	-	-	(100,000)	800,000	400,000
C De Vos	900,000	-	-	(100,000)	800,000	400,000
Z Marinkovic	600,000	-	-	-	600,000	300,000
P R Carter	800,000	-	-	(200,000)	600,000	300,000
Dr P J Cox	700,000	-	-	-	700,000	450,000

2009 Name	Balance at start of the year	Granted during the year	Exercised during the year	Other changes during the year	Balance at end of the year	Vested and exercisable at end of the year
Director						
T M McConnachie	500,000	1,750,000	(500,000)	-	1,750,000	-
Dr A P Ruiters	200,000	200,000	-	-	400,000	100,000
L M Carroll	200,000	300,000	-	-	500,000	200,000
Key management personnel						
J Meyer	100,000	800,000	-	-	900,000	100,000
C De Vos	100,000	800,000	-	-	900,000	100,000
Z Marinkovic	-	600,000	-	-	600,000	-
P R Carter	200,000	600,000	-	-	800,000	200,000
Dr P J Cox	200,000	500,000	-	-	700,000	100,000

(Refer to note 28(f))

(h) Shareholding of key management personnel (consolidated)

The number of shares in the Company held during the year by each director of the Company and key management personnel of the Group, including their personally related parties, are set out below.

2010 Name	Balance at the start of the year	Issued under share and option plan	Other changes during the year	Balance at the end of the year
Director				
T M McConnachie	500,000	-	-	500,000
R D Rossiter	1,032,000	-	-	1,032,000
G M Button	300,000	-	-	300,000

2009 Name	Balance at the start of the year	Issued under share and option plan	Other changes during the year	Balance at the end of the year
Director				
T M McConnachie	-	500,000	-	500,000
R D Rossiter	532,000	500,000	-	1,032,000
G M Button	-	-	300,000	300,000

All equity transactions with key management personnel other than those arising under the Group's Incentive Option Plan (Note 28(e)) have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

29. Related party disclosure

(a) The consolidated financial statements include the financial statements of Sylvania Resources Limited and the controlled entities listed in the following table:

Name of Entity	Country of incorporation	Class of shares	Equity Holding 2010 %	Equity Holding 2009 %
Twinloop Nominees (Pty) Ltd	Australia	Ordinary	100	100
Great Australian Resources Pty Ltd	Australia	Ordinary	100	-
SA Metals Pty Ltd	Australia	Ordinary	100	-
Platinum Mining Ventures Limited	Australia	Ordinary	100	-
Sylvania Holdings Limited	Mauritius	Ordinary	100	100
Aralon Holdings Limited	Mauritius	Ordinary	100	100
Sylvania Holdings SA (Pty) Ltd	South Africa	Ordinary	100	-
Sylvania South Africa (Pty) Ltd	South Africa	Ordinary	100	100
Sylvania Metals (Pty) Ltd	South Africa	Ordinary	74	74
Sylvania Minerals (Pty) Ltd	South Africa	Ordinary	74	74
Sylvania Mining (Pty) Ltd	South Africa	Ordinary	100	100
Great Australian Resources SA (Pty) Ltd	South Africa	Ordinary	100	-
Hacra Mining & Exploration Company (Pty) Ltd	South Africa	Ordinary	100	-
Pan Palladium SA (Pty) Ltd	South Africa	Ordinary	100	-

Sylvania Resources Limited is the ultimate Australian parent entity and the ultimate parent of the Group. Transactions between Sylvania Resources Limited and its controlled entities during the year consisted of loan advances by Sylvania Resources Limited. All intergroup transactions and balances are eliminated on consolidation.

(b) **Loans to / (from) related parties**

The following table provides detail of advances to / (from) related parties during the year and outstanding balances at balance date:

	Consolidated 2010 Maximum balance outstanding at any point during the year $	Consolidated 2010 Year end balance $	Consolidated 2009 Year end balance $
Loans to related parties			
T M McConnachie	250,000	-	250,000
Ehlobo Metals (Pty) Ltd	618,195	618,195	577,748
	868,195	618,195	827,748

The nature of these transactions represents payments made in South Africa on behalf of the above companies.

29. Related party disclosure (continued)

No allowance for doubtful debts have been raised in relation to any outstanding balances as amounts were either repaid after reporting date, or full payment is expected where balances are still outstanding.

Terms and conditions

All loans were granted on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of loans between related parties. No interest is charged on these loans as outstanding balances are normally settled within 30 – 60 days.

Outstanding balances are unsecured and are repayable in cash.

(c) **Joint venture**

The Group has a 25% interest in the assets, liabilities and output of an un-incorporated joint venture, CTRP, which operates a chrome tailings retreatment plant at Kroondal in South Africa (2009: 25%).

Terms and conditions with related parties

Payments made on behalf of related parties are made in arm's length transactions both at normal market prices and on normal commercial terms.

Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash.

(d) Transactions with related parties

Administration recoveries were received from and service fees paid to the following related parties during the year ended 30 June for expenses incurred on their behalf:

	Consolidated	
	2010	2009
	$	$
Service fees paid to related parties		
Summer Sun Trading 210 (Pty) Ltd	**6,152**	-
Integrated Geological Solutions (Pty) Ltd	**443,985**	-
Southridge Properties (Pty) Ltd	**16,167**	137,627
Recoveries from related parties		
Realm Resources Ltd (formerly Morning Star Holdings (Australia) Ltd)	**16,961**	37,358
Dwyka Resources Ltd	**-**	9,532
Ferrum Crescent Ltd (formerly Washington Resources Ltd)	**6,946**	9,532
	490,211	194,049

Shareholders Profile
as at 31 August 2010

The shareholder information set out below was applicable as at 31 August 2010.

A. DISTRIBUTION OF SHAREHOLDERS

	Number of shareholders
1 - 1,000	722
1,001 - 5,000	544
5,001 - 10,000	177
10,001 - 100,000	208
100,001 and over	47
Total	**1,698**

There were 515 holders of a less than a marketable parcel of ordinary shares.

Total number of fully paid shares on issue	243,079,254
Percentage holding of 20 largest holders	93.82%

B. SUBSTANTIAL SHAREHOLDERS

Shareholder	Number of shares Fully paid Shares	Percentage Fully paid shares
Computershare Clearing Pty Ltd <CNL DI A/C>	200,442,822	82.45
	200,442,822	

C. TWENTY LARGEST HOLDERS OF FULLY PAID SHARES

	Shareholder		
1	Computershare Clearing Pty Ltd <CCNL DI A/C>	200,442,822	82.45
2	HSBC Custody Nominees (Australia) Limited	6,804,778	2.80
3	National Nominees Limited	4,764,260	1.96
4	ANZ Nominees Limited <Cash Income A/C>	3,518,946	1.48
5	Citicorp Nominees Pty Limited	2,050,948	0.84
6	Blackmort Nominees Pty Ltd <Holding A/C>	1,825,000	0.75
7	Bond Street Custodians Limited <Officium Emerging Res A/C>	1,029,968	0.42
8	JP Morgan Nominees Australia Limited	916,195	0.38
9	Bluestar Management Pty Ltd	860,506	0.35
10	Imperium Nominees Pty Ltd	800,000	0.33
11	UOB Kay Hian (Hong Kong) Limited <Clients A/C>	710,000	0.29
12	Cogent Nominees Pty Limited	690,000	0.28
13	Nefco Nominees Pty Ltd	650,000	0.27
14	SA Metals Limited <SLV TKO Diss Holder A/C>	533,923	0.22
15	Mr Terence McConnachie	500,000	0.21
16	Mrs Tracy Andrea Howell	488,500	0.20
17	HSBC Custody Nominees (Australia) Limited – A/C 3	407,497	0.17
18	Delfam Pty Limited <BFT A/C>	400,000	0.16
19	Great Australian Resources Limited <SLV TKO Diss Holder A/C>	310,409	0.13
20	Eric Preston Pty Ltd	305,000	0.13
		228,008,752	93.82

D. VOTING RIGHTS

The voting rights attaching to each class of equity securities are set out below:

Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

E. RESTRICTED SECURITIES

There are no restricted securities on issue.

GLOSSARY OF TERMS 2010

The following definitions apply throughout the annual financial statements:

AIM	Alternative Investment Market of the London Stock Exchange
ASX	Australian Securities Exchange
AUD	Australian Dollar
GBP	Great British Pound
JSE	JSE Limited
LSE	London Stock Exchange
PGM	Platinum group metals comprising mainly platinum, palladium, rhodium and gold
Sylvania	Sylvania Resources Limited, a company incorporated in Australia
USD	United States Dollar
ZAR	South African Rand