SYLVANIA RESOURCES LIMITED

("Sylvania" or the "Company")
(ASX/AIM: SLV)
A.C.N. 091 415 968

2009 Financial Year

Quarterly report 31 December 2008

Sylvania weathers the commodities downturn well, continuing to generate profit even though only 30% of its plants are commissioned

Key features for the quarter

- Low cost of production, and good margins in difficult quarter: gross margins of 16% achieved
- Increased ounce production performance over previous quarter in adverse operating conditions – production up by 9%
- Cash costs of US$248 per 3E and Au oz achieved in Sylvania Dump Operations – a reduction of 2% compared with the previous quarter
- Volume growth projects fast-tracked for mid-year 2009 production
- Operational review results in streamlining and cost reduction programme
- Build-up of asset portfolio provides further operational flexibility
- Committed decision to exploit the Vygenhoek UG2 platinum deposit

Overview

Unaudited	Unit	Previous Quarter Sept 2008	Current Quarter Dec 2008	YTD 6 months to Dec 2008
Financials				
Revenue	R'000	45,911	21,716*	67,627
Net profit BT (Attributable)	R'000	30,177	21,354	51,531
Ave R/$ rate	R/$	8.03	9.91	8.97
Production				
Plant feed tonnes	t	76,490	69,848	146,338
3E and Au	oz	6,295	6,828	13,123

- Revenue in the current quarter has been reduced by a provision of R14,480 million to indicate an adjustment to PGM provisional four-month pipeline sales to reflect the reduced PGM basket price.

Sylvania's low-cost, high-margin business model has, in these difficult market conditions, provided a solid foundation for growth and delivered satisfactory results in the quarter. Sylvania prides itself on being a low cash-cost producer, firmly among the lowest quartile of cash-cost producers of PGMs in South Africa. This strong performance must be seen, however, against a backdrop of a totally different market environment in the quarter to that which prevailed in the first half of the calendar year.

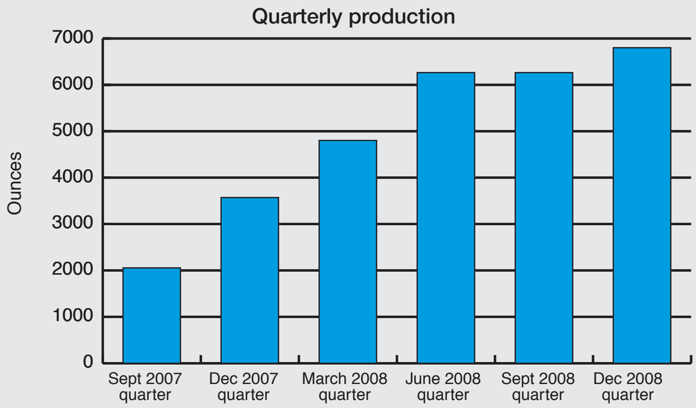
PGM prices have declined significantly in the last six months with the platinum price declining from US$2,075 as at 30 June 2008 to US$841 as at 31 December 2008, primarily as a result of slowing demand in the automotive, jewellery and electronics sectors which comprise the majority of the demand for the metal.

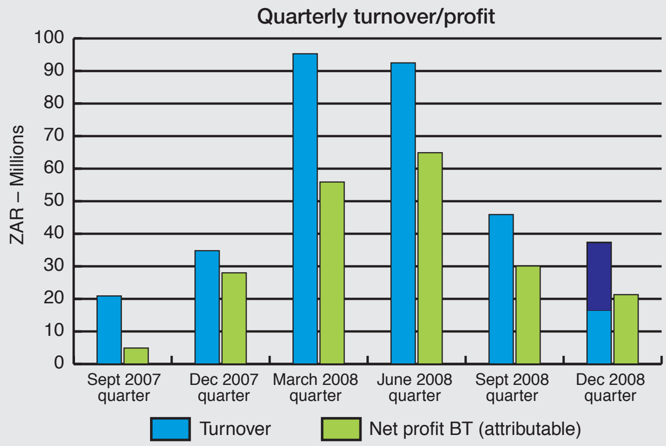
The global economic downturn has also resulted in a reduced demand for ferrochrome and chrome concentrates. This has resulted in the suspension of mining operations at Samancor Chrome, a key supplier of feed for Sylvania's plants as a result of which Sylvania has not recovered current risings from Samancor's operations since the beginning of December 2008. This situation is expected to continue until March 2009. This has, however, not affected Sylvania's current production, with feed from tailings dams being increased to compensate for the lack of current risings. This material has similar grades to the current risings, and the SDO operations have access to sufficient tailings material to allow Sylvania's plants to continue operating at full capacity for at least the next three years, and potentially for many more years as the tailings created from Sylvania operations can be processed a second time effectively increasing the life of the tailings operation even though it will be at a lower grade when re-processed. The Sylvania flotation plants have the added benefit of being flexible and Sylvania is therefore able to accommodate changes in feed source within existing design parameters with only a few adjustments. Sylvania remains well positioned as a low-cost PGM producer relative to its peers and, in the quarter under review, generated cash flow from operating activities of R15 million despite the difficult market conditions.

As at 31 December 2008 the Company's cash reserves amounted to R295 million (down from R368 million the previous quarter). R8 million of this was held in South Africa with AUD32,7 million and GBP15,5 million being held in Australia.

The reduction in cash compared with the prior quarter in spite of operating cash flow generation is attributable to the capital payments for construction of the Lannex and Mooinooi plants. The company currently forecasts that its existing cash resources and expected operational net cash flows are sufficient to provide ongoing working capital and complete the construction of the Lannex, Mooinooi and Tweefontein plants, subject to currency fluctuations and the receipt of funding from the BEE partners in Sylvania Metals.

Sylvania Resources





Sylvania Dump Operations (SDO) (100% attributable)

Statistical Information

Unaudited*	Unit	Previous quarter Sept 2008	Current quarter Dec 2008	±% Quarter on quarter	YTD 6 months to Dec 2008
Revenue					
Revenue	R'000	44,363	20,240	(54%)	64,604
Basket price	$/oz	1,494	687	(54%)	755
Gross cash margin - SDO	%	67%	16%	(76%)	51%
Capital expenditure	R'000	58,477	67,179	15%	125,656
Ave R/$ rate	R/$	8.03	9.91	23%	8.97
SDO Cash Cost					
Per PGM feed tonne	R/t	247	274	(11%)	260
Per PGM feed tonnes	$/t	31	28	11%	29
Per 3E and Au oz	R/oz	2,491	2,460	1%	2,475
Per 3E and Au oz	$/oz	310	248	20%	276
Production					
Plant feed	t	139,001	137,924	(1%)	276,925
Feed head grade	g/t	2.65	2.85	8%	2.74
PGM plant feed tonnes	t	59,085	57,251	(3%)	116,336
PGM plant grade	g/t	5.59	5.94	6%	5.76
PGM plant recovery	%	55.1%	58.3%	6%	56.8%
Total 3E and Au	oz	5,854	6,382	9%	12,237

Health, safety and environment

The SDO operations once again reported an exemplary result in the areas of safety, health and environmental performance.

- A zero lost day injury frequency was achieved for the quarter, with 134,761 injury-free days worked in the plant construction division.
- No environmental incidents were reported.

Sylvania Dump Operations (100%)

Quarter on quarter production of PGMs was 9% higher at 6,382 PGM oz. Recoveries increased by 6% to 58.3%, mainly owing to the introduction of recovery-enhancing bead mills. This creditable performance was attributable to the sustained improvement in recoveries and a 6% higher PGM plant grade than in the previous quarter, and was boosted by record monthly output at Steelpoort over the quarter. Output from Millsell for the quarter was lower, owing to a number of factors including a temporary reduction in feed and lower head grades.

As previously reported the bead mills have been installed and commissioned at both Steelpoort and Millsell. At Steelpoort, the anticipated recovery improvements have been attained. While the Millsell bead mills are operational, they have not been running long enough for any significant improvement to be reported.

Revenues for the quarter were 54% lower than in the previous quarter, attributable to similar declines in the average basket price. Nevertheless, costs were well controlled, with a reduction quarter on quarter of 1% on a R/oz basis and a 20% reduction on a $/oz basis.

Sylvania Dump Operations (SDO) (100% attributable) *(continued)*

Growth projects

Lannex Plant: The Broken Hill section of the Lannex plant was commissioned successfully in the second week of October 2008. A lack of available concrete, and adverse weather conditions, have however delayed the construction of the Lannex dump re-mining classification and PGM recovery plants with the results that the PGM plant will now be commissioned during the quarter to 31 March 2009, one month later than forecast. Construction is scheduled to be fully completed by the end of February 2009. The final capex cost is forecast at R150 million, some 5% over budget, owing mainly to tailings dam cost overruns.

Mooinooi Plant: In view of the current PGM price environment, the impact of power shortages as well as lower grades and the costs associated with diesel power generation, the Mooinooi project has been downscaled to a 37,000 tonne per month (tpm) chrome feed plant from the previously indicated 70 000 tpm chrome feed plant. Mooinooi will source monthly feed from Buffelsfontein (20,000 tpm ROM), Mooinooi mine (7,000 tpm current risings) and Elandsdrift mine (10,000 tpm dump material). The long lead capital items ordered for the larger Mooinooi plant will be redirected and made available for the Doornbosch plant, which is being fast-tracked for commissioning (see below). This rescheduling of design capacity will not have any negative effect on the overall PGM production previously forecast, as the Doornbosch and Tweefontein plants will make up for lost monthly design capacity. The reduced feed design at Mooinooi will prolong the life of the operation. It is expected that production will commence by the end of June 2009.

Doornbosch Project: The new Doornbosch chrome and PGM recovery plant as announced on 29 October 2008, and originally due to be commissioned in January 2010, has been fast- tracked, with construction teams moving on site in early January 2009. Doornbosch lends itself to rapid project execution as it involves the placement of modular units designed for existing operations. Long lead capital items (see note above on Mooinooi) such as the thickener, SRR mill, the PGM recovery circuit and feed tank have already been sourced and paid for. The plant is due for commissioning in June 2009, adding some 26,000 PGM oz per annum at steady-state production to Sylvania's output by the end of the calendar year.

Tweefontein Plant: Construction of the Tweefontein plant (also announced on 29 October 2008) will start in March 2009, with commissioning planned for the end of 2009. The Tweefontein plant is intended to treat 37,000 tonnes per month of dechromed material and current risings at steady-state.

Chrome Tailings Retreatment Project (CTRP) (25% attributable)

STATISTICAL INFORMATION

Unaudited*	Unit	Previous quarter Sept 2008	Current quarter Dec 2008	±% Quarter on quarter	YTD 6 months to Dec 2008
Revenue					
Revenue	R'000	1,547	1,475	(5%)	3,023
Basket price	$/oz	2,251	981	(56%)	1,162
Ave R/$ rate	R/$	7.75	9.68	25%	8.73
Site cash cost					
Per ROM tonne	R/t	96	119	(24%)	105
Per ROM tonne	$/t	12	12	1%	12
Per PGM oz	R/oz	3,785	3,352	11%	3,567
Per PGM oz	$/oz	488	346	29%	409
Production					
Plant feed tonnes	t	17,405	12,597	(28%)	30,001
Grade	g/t	2.66	2.27	(15%)	2.50
Recovery	%	33%	48%	46%	39%
Total 3E and Au	oz	441	446	1%	887

Plant feed tones decreased by 28% as did grade by some 15%. However, recoveries increased by 46% quarter on quarter to 48%, with a marginal increase in ounces produced to 1784oz (446oz attributable). It should be noted that Aquarius Platinum controls the management of the operation.

Corporate structure, empowerment and management

A reorganisation of the corporate structure of Sylvania has resulted in shares previously held by Sylvania Resources and Ehlobo Metals in Sylvania Minerals (Pty) Limited being transferred to Sylvania Metals. Sylvania Minerals is now a wholly owned subsidiary of Sylvania Metals.

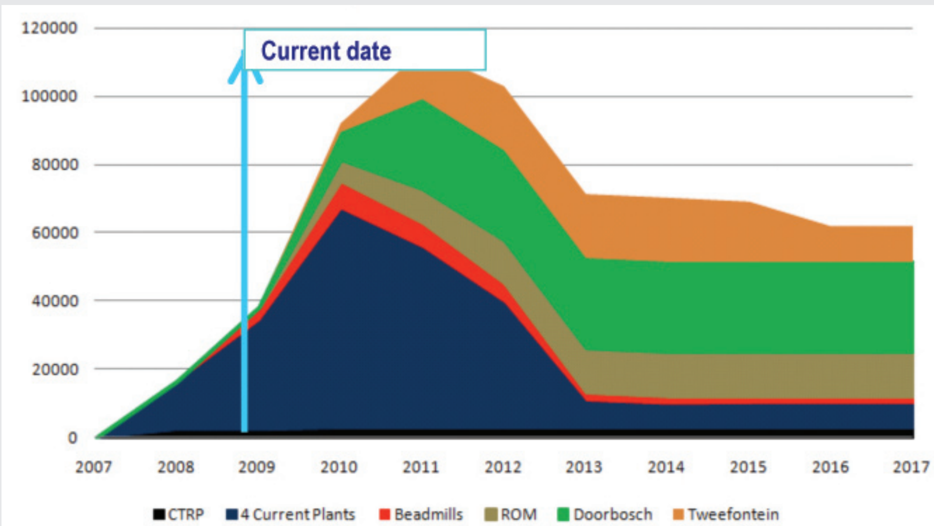
A further development in the quarter was the disposal of Sylvania's interests in the Harriet's Wish, Aurora and Cracow exploration projects to Great Australian Resources Limited (GAU). This transaction is a clear illustration of Sylvania's sustained focus on tailings and quality PGM resources, leaving the company's exploration projects to GAU as its preferred exploration partner. Progress has been made with regard to the submission to the South African Department of Minerals and Energy (DME) of the application for the Section 11 transfer of ownership rights for the projects transferred to GAU. It is expected that the approved mineral rights will be transferred to GAU in the fourth quarter to 30 June 2009.

In terms of a further BEE transaction concluded on 7 January 2009 and in pursuit of Sylvania's goal of compliance with the South African Minerals and Petroleum Resources Development Act (MPRDA), Sylvania SA has entered into a shareholders' agreement with African Dune Investments 114 (Pty) Limited (a black empowerment company). Sylvania SA has officially notified Aquarius Platinum (Aquarius) of the viability of the Vygenhoek deposit on the Everest North property and, in terms of the binding agreement, is currently completing the documentation necessary to apply for a mining licence in order to mine the deposit. The application is likely to be submitted to the DME and Aquarius during the current quarter to 31 March 2009.

The operational structure has also undergone a degree of restructuring, characterised by flattening the hierarchy, streamlining the organisation and reducing overhead management costs in line with the totally transformed economic environment. A number of operational management functions have been combined in order to leverage the synergies between the two functions. As a result of the reorganisation, the two disciplines of operations and construction report to one general manager responsible for both.

The operational review has resulted in Sylvania Metals not renewing its contracts with the company's contractors who were operating the Millsell and Steelpoort plants. Sylvania Metals is currently employing the necessary staff to operate these plants. This process will be completed by early March 2009, and it is expected will have very little negative impact on production. This change in strategy will be applied to all new plants. Bringing plant operation wholly in-house is expected to result in improved operational control, streamlined management of the construction and the commissioning of plants and, ultimately, a lower cost structure.

Sylvania Resources



Outlook

The unique business model of Sylvania remains low-cost (with a target of reducing cost to less than US$300/oz), and high margins. In the past quarter, this has also translated into securing volume growth as announced to shareholders on 29 October 2008, with the stated intention of constructing two additional chrome and platinum recovery plants at Samancor's Doornbosch and Tweefontein chrome mines. The two new plants will provide additional flexibility in difficult PGM marketing conditions. By fast-tracking the Doornbosch plant, Sylvania will be well placed to derive the benefits of superior grades and secure feed. At steady-state production levels, Doornbosch and Tweefontein plants will add some 36,000 PGM oz annually to Sylvania's production, the total of which is expected to peak at approximately 100,000oz by 2011. This figure is some 14.85% higher than the anticipated peak production of 87,071oz originally forecast.

Change of company secretary and registered office

Following the end of the reporting period, Messrs Grant Button and Louis Carroll were appointed as joint company secretaries, effective 19 January 2009.

TERRY McCONNACHIE
Managing Director

Registered office	*Postal address*	*In South Africa*	*In Australia*	*In United Kingdom*
Sylvania Resources Limited Level 4, HPPL House 28-42 Ventnor Avenue West Perth WA 6005 Australia	PO Box 1346 West Perth WA 6872 Australia	**Terry McConnachie** *MD* Sylvania Resources Limited (+27 11) 673 1171	**Richard Rossiter** *Chairman* Sylvania Resources Limited (+618) 9324 2955	**Richard Brown** Ambrian Partners Limited (+44) 20 7634 4709

or visit our website at www.sylvaniaresources.com

The technical exploration and mining information contained in this report was compiled by Mr Ed Nealon, a former Sylvania Resources Ltd director. Mr Nealon provides consulting services via his company Athlone International Pty Ltd. Mr Nealon is a member of the Australasian Institute of Mining and Metallurgy and is considered to be a Competent Person in his respective area of expertise pursuant to the Australasian Code for Reporting of Mineral Resources and Ore Reserves. Mr Nealon consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

SYLVANIA
RESOURCES LIMITED

Consolidated Statement of Cash Flows

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

Name of entity

SYLVANIA RESOURCES LIMITED

ACN or ARBN	Quarter ended ("current quarter")
091 415 968	**31 December 2008**

CONSOLIDATED STATEMENT OF CASH FLOWS

		Current quarter $A'000	Year to date (6 months) $A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	8,479	21,950
1.2	Payments for		
	(a) exploration and evaluation	(51)	(58)
	(b) development	(12,170)	(18,288)
	(c) production	(2,996)	(5,559)
	(d) administration	(2,549)	(4,440)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	847	1,657
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other	26	(589)
Net operating cash flows		(8,414)	(5,327)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects		
	(b) equity investments		
	(c) other fixed assets	(18)	(36)
1.9	Proceeds from sale of:		
	(a) prospects		
	(b) equity investments		
	(c) other fixed assets		
1.10	Loans to other entities	(25)	(27)
1.11	Loans repaid by other entities	6	22
1.12	Other (provide details if material)		
Net investing cash flows		(37)	(41)
1.13	Total operating and investing cash flows (carried forward)	(8,451)	(5,368)

Consolidated Statement of Cash Flows

Cash flows related to operating activities		Current quarter $A'000	Year to date (6 months) $A'000
1.13	Total operating and investing cash flows (brought forward)	(8,451)	(5,368)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings	83	53
1.18	Dividends paid		
1.19	Other – capital raising costs	(5)	(50)
Net financing cash flows		78	3
Net increase (decrease) in cash held		(8,373)	(5,365)
1.20	Cash at beginning of quarter/year to date	48,749	43,849
1.21	Exchange rate adjustments to item 1.20	294	2,186
1.22	**Cash at end of quarter**	40,670	40,670

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter $A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	250
1.24	Aggregate amount of loans to the parties included in item 1.10	–

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest.

Compliance statement

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities	–	–
3.2	Credit standby arrangements	–	–

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	1,000
4.2	Development	14,385
Total		**15,385**

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

		Current quarter $A'000	Previous quarter $A'000
5.1	Cash on hand and at bank	7,558	12,690
5.2	Deposits at call	33,112	36,059
5.3	Bank overdraft		
5.4	Other (provide details)		
Total: cash at end of quarter (item 1.22)		40,670	48,749

Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed				
6.2	Interests in mining tenements acquired or increased				

*Pending the ministers approval of transfer of rights.

Compliance statement

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3)	Amount paid up per security (see note 3)
7.1	**Preference +securities** (description)	–	–		
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	**+Ordinary securities**	181,662,273	181,662,273	N/A	N/A
7.4	Changes during quarter (a) Increases through issues	700,000	700,000	$1.63	Issued pursuant to the Sylvania Share Plan
	(b) Decreases through returns of capital, buy-backs				
7.5	**+Convertible debt securities** (description)	–	–		
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
				Exercise price	**Expiry date**
7.7	**Options** (description and conversion factor)	500,000	Nil	$0.50	30 June 2009
		600,000	Nil	$0.75	30 June 2010
		400,000	Nil	$2.89	30 June 2011
		600,000	Nil	$2.67	30 June 2011
		5,633,000	Nil	$1.63	30 June 2011
7.8	Issued during quarter	2,250,000	Nil	$1.63	30 June 2011
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	**Debentures** (totals only)	–	–		
7.12	**Unsecured notes** (totals only)	–	–		

Overview

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).

2. This statement does give a true and fair view of the matters disclosed.

Date: 28 January 2009

Chief Financial Officer

Louis Carroll

Notes

1. This quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2. The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3. **Issued and quoted securities:** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4. The definitions in, and provisions of, AASB 1022: Accounting for Extractive Industries and AASB 1026: Statement of Cash Flows apply to this report.

5. Accounting Standards ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.