ANNUAL REPORT 2007

SYLVANIA

RESOURCES LIMITED

Contents

Company highlights

Future outlook and funding

- The Company is well positioned to further develop its operations in South Africa and pursue future strategic opportunities
- Cash and liquid assets as at 30 June 2007 equate to A$57.7m

Construction and commissioning of recovery plants on time and in budget

- Completion of construction and commissioning of the Millsell PGM Recovery Plant ("PRP")
- Construction and commissioning of an integrated Chromite Washing Plant ("CWP") and PRP at Steelpoort
- Upgrade of the CWP achieves reliable operations

Significant increases in platinum revenue and production

- Revenue and production have increased by 56% and 19% respectively from the Company's 25% interest in CTRP when compared to the year ended 30 June 2006

Resource base extensions and enhancements bode well for the future

- Addendum to Samancor Services and Supply Agreement allows the Company to bring forward the development of its PRPs
- Good progress with the Everest North PGM Project, with exploration results being developed to a Resource Estimate

BEE partner agreement finalised

- Finalisation of agreements with a self funding broad based BEE partner to ensure compliance with South African legislation and to provide additional development capital for projects in South Africa

AIM listing and share placements secures funding and balance sheet strength

- At the beginning of the financial year, the Company listed on AIM in London with a placement of 40,000,000 shares to raise A$29.6 million (before expenses)
- A further placement of 22,900,000 ordinary shares was completed in June 2007 to raise A$44.0 million (before expenses)

Corporate information

Directors	T M McConnachie – *Chief Executive Officer* R D Rossiter – *Non-Executive Chairman* Dr E Kirby – *Chief Operating Officer* L M Carroll – *Finance Director* Dr A P Ruiters – *Non-Executive Director*
Company secretary	M J Langoulant
Principal registered office in Australia	98 Colin Street West Perth Western Australia 6005 Australia Telephone: (08) 9481 8711 Facsimile: (08) 9324 2977 Website: www.sylvaniaresources.com
Share register	Computershare Investor Services Pty Limited Reserve Bank Building Level 2 45 St Georges Terrace Perth Western Australia 6000 Australia
Auditors	HLB Mann Judd Chartered Accountants 15 Rheola Street West Perth Western Australia 6005 Australia
Solicitors	Clayton Utz QV1 250 St Georges Terrace Perth Western Australia 6000 Australia
Nominated Advisor and Broker	Ambrian Partners Limited 2nd Floor, Angel Court London, EC2R 7HP United Kingdom
Stock exchange listings	Sylvania Resources Limited is listed on the Australian Stock Exchange (Shares: SLV) and on the AIM sub-market of the London Stock Exchange (Shares: SLV)

Review of operations and activities

SOUTH AFRICAN OPERATIONS

Samancor Agreement

During the previous financial year Sylvania Resources Limited (the "Company") signed a Services and Supply Agreement with Samancor Limited ("Samancor") in relation to the retreatment of chromite mine tailings for the extraction of chrome and Platinum Group Metals ("PGMs"). Full details of the Agreements were disclosed in the AIM Listing document dated 17 July 2006. On 9 January 2007, the Company signed an Addendum to the Services and Supply Agreement with Samancor ("Addendum"). The amendments contained in the Addendum are considered to be significant to the Company as they streamline a number of operational issues.

Key aspects of the Addendum are as follows:

- The duration of the agreement has been extended to incorporate current arisings for the duration of the Samancor rights in respect of the specified mining areas;
- The Company may now construct its PRPs within the Samancor Mining Area;
- The Company is no longer obliged to remove tailings created after the PGM recovery process from the Samancor Mining Area and can now utilize existing Samancor tailings facilities as directed by Samancor. The final rehabilitation responsibility rests with the Company; and
- A number of amendments to and clarifications of, clauses that address operational and functional issues that had been identified between the parties since the original Agreement was signed.

The major significance of these amendments has been the reduction of the time delays associated with negotiating and acquiring land, and the negotiating of the necessary environmental and other approvals for the establishment of the plant and tailings storage facilities. Significantly, the Addendum has enabled the Company to amend its business plan to bring forward the establishment of its PRPs.

The Company originally planned to construct a total of six CWPs and four PRPs to treat both current tailings arisings and stockpiled dump tailings from the Samancor mines. The six CWPs were originally scheduled for completion by July 2007, whilst the four PRPs would only be completed by October 2008. As a result of the amendment, business plans were changed to delay the construction of some of the CWPs and bring forward the construction of two of the PRPs (Millsell and Steelpoort) for completion in 2007.

Sylvania Millsell Plant Construction and Operations

During the previous financial year, the Company had constructed a CWP at the Samancor Millsell Mine near Kroondal. This plant produces metallurgical grade (44% Cr_2O_3) chrome concentrates from a feed of Millsell tailings dam and current arisings tailings. The original plant was built at minimum cost using second-hand equipment and structural steel. Over the past year, the design of the plant has evolved and additions have been made to increase throughput and boost recovery. New equipment (particularly pumps and screens) has been introduced as necessary to improve the reliability of the overall installation.

During the current year, the Millsell dam has been mined by an innovative scraper winch method pioneered by the Company. This involves a number of anchor blocks and small winches around the dam which are used to position the return pulley of a scraper. A 75kW electrically powered mining winch is then used to drive the scraper and pull dam material into the plant feed hopper. The scraper and return pulley are standard items commonly used in underground mining operations. This mining method is proving much cheaper than alternatives such as truck and shovel operations. It also has the advantage that the plant is fed with a blend of fine material from the centre of the dam and coarser material from the wall region of the dam.

At the beginning of the current financial year, Matomo Projects (Pty) Ltd ("Matomo") was awarded the contracts for additions to the CWP as well as the construction of a PRP at Millsell. Matomo has broad experience with small minerals processing plants and their core team of engineers were involved with the design and construction of CTRP. Operation of the processing facilities was contracted out to Tailings Technology Pty Ltd, a South African Company with extensive experience in plant operations and PGM recovery by flotation. The Company also appointed Metallicon Consultants, a specialist process consultancy with both chromite and PGM recovery experience, to advise on processing plant design and operations. Detailed process and mechanical designs for future CWPs and the Millsell PRP were developed in conjunction with these experienced contractors and long lead items, for Millsell PRP plus an additional two CWPs and PRPs, were ordered.

Sylvania Millsell Plant Construction and Operations (continued)

Construction of the Millsell PRP commenced in January according to an aggressive fast-track schedule that had been agreed with Matomo. In practice, there were delays caused by late delivery of some equipment items and the refurbishment of the second hand ball mill taking longer than anticipated. Nevertheless, mechanical completion was achieved on 25 May 2007, only 103 days after commencing work and the Board considers this a remarkable achievement in view of the complexity of the project.

The Millsell PRP has been operating since Sunday 10 June 2007. Commissioning and early operations went well with relatively few problems being experienced. In spite of later than anticipated completion, production has been very close to budget. Cumulative production to end July 2007 was 186 oz 4E PGM versus the budget of 212 oz 4E PGM. Production is presently ramping up with the full design level of 590 oz 4E PGM per month expected prior to the end of November. At the time of preparation of this report, only minor issues remained to be resolved as part of the commissioning process.

Sylvania Steelpoort Plant Construction

Construction of an integrated CWP and PRP at Samancor's Steelpoort mine commenced in January 2007 under Matomo's direction. Good progress has been made although there were some delays due to late deliveries of equipment and the difficulty in finding sub-contractors in the Steelpoort region. Mechanical completion was achieved on 31 July 2007 and the first feed of slurry went through the chromite recovery section of the plant on Saturday 11 August 2007 whilst first operations of the PGM recovery section commenced on Sunday 26 August 2007. The entire plant is now running well, on a feed of current arisings tailings from the Samancor Steelpoort Chrome Plant, and is producing both chromite and PGM concentrate.

Future CWP and PRP Developments

Some preparatory work for a CWP and PRP at Samancor's Elandsdrift Chrome Mine was undertaken during January and February 2007. This installation was to have been fed with a mixture of dump material from Elandsdrift and current arisings from Samancor's Mooinooi Mine. This work has subsequently been placed on hold to allow the Company's resources to be focussed on the construction work at Millsell and Steelpoort. Steelwork and equipment deliveries for the project have been placed in storage.

Black Economic Empowerment

The Company has finalised two agreements with a self funding, broad based BEE partner, to ensure compliance with South Africa's Broad Based Economic Empowerment Act No. 53 of 2003 and the codes of good practice published in terms of the South African Mining Charter. On completion of the two agreements the Company will hold a 74% interest in each of the CWPs and PRPs, with the remaining 26% being held and funded by the BEE partner. Details of the agreements were given in the Company's announcement of 13 February 2007.

The shareholder agreements with Ehlobo Metals Pty Ltd ("Ehlobo") relate to the Company's South African subsidiaries, Sylvania Metals (Pty) Limited ("SLV Metals") and Sylvania Minerals (Pty) Limited ("SLV Minerals"). SLV Metals holds the Company's CWPs and SLV Minerals holds the Company's PRPs.

Under the terms of the agreements, Ehlobo will acquire a 26% interest in both SLV Metals and SLV Minerals upon the contribution of specified funds. A condition of the agreements is that Ehlobo's shareholders will remain historically disadvantaged South Africans ("HDSAs"). Satisfaction of this condition will enable the Company to satisfy the requirements of the South African Legislation and the South African Mining Charter aimed at encouraging the participation of HDSAs in the mining industry in South Africa. The Company will in turn provide the skills and expertise to manage the operational and commercial affairs of SLV Metals and SLV Minerals. The Company will retain Board and management control of both companies.

Under the terms of the agreements, Ehlobo has committed to contribute amounts of not more than ZAR25 million and ZAR39 million towards the initial capital requirements of SLV Metals and SLV Minerals respectively, which amounts are calculated to equate to 26% of the initial capital requirements to construct CWPs and PRPs. The Company has committed to contribute the remaining 74% of the initial capital requirements and to assist Ehlobo to raise their required capital contributions.

Should Ehlobo be unsuccessful in securing the necessary funding to meet the capital commitment, the Company will retain sole discretion to terminate the agreements. Ehlobo is restricted in transferring its shareholding until at least 31 December 2009 and there is a reciprocal right of first refusal for the Company and Ehlobo to purchase each others shares if one party decides to sell their shares.

Ehlobo is owned by Ehlobo Resources ("ER"). ER is headed by Dr Alistair Ruiters and Mr Rafique Bagus. Both have had long and distinguished careers in the South African government. Dr Ruiters was the Director General of the Department of Trade and Industry ("DTI") from 1999 to 2005. Mr Bagus was the CEO of Trade and Industry of South Africa from 1987 to 2002. ER was established in 2005 and has since grown its interests in resources.

Review of operations and activities

Black Economic Empowerment (continued)

Today ER has a presence in coal, chrome and metal trading. Through their operational involvement in mining companies, both Dr Ruiters and Mr Bagus have developed a sound understanding of the mining environment and a good working knowledge of mining operations. On 15 August 2007, the Company announced that Dr Ruiters joined the board of directors of the Company as a non-executive director.

Chromite Tailings Retreatment Project (Sylvania 25%)

Sylvania South Africa (Pty) Limited, a wholly owned subsidiary of the Company has a 25% interest in a consortium which owns the Chrome Tailings Retreatment Project ("CTRP") which is managed by Aquarius Platinum Limited ("Aquarius"). The CTRP operation had a positive year with PGM production increasing 19% to 7,408 PGM ounces (1,851 PGM ounces attributable to the Company).

CTRP: Metal in concentrate produced (PGM ounces)

Year Ended	Pt	Pd	Rh	Au	PGM (4E)	PGM (4E) attributable to the Company
2007	4,512	1,629	1,252	15	7,408	1,851
2006	3,799	1,378	1,044	13	6,234	1,558
2005	1,321	439	353	4	2,117	529

Over the year recoveries reduced to 31%, due to the unsatisfactory blending of arisings and dump materials. However the head grade increased in grade to 4.32 g/t for the year compared to 3.21 g/t in the previous year, and the tonnes processed increased 12% to 182,000 tons. The overall effect was to increase production by 19% to 7,408 PGM ounces (of which 1,851 PGM ounces are attributable to the Company).

The average PGM basket price received for the year increased by an average 41% to US$1,704 per PGM ounce. As a result of the increased production levels and basket prices, revenue increased to R77 million (R19.25 million attributable to the Company). The cash operating margin for the year increased to 77% from 63% in the previous year.

Everest North PGM Project

The Everest North project lies on the Farm Vygenkoek JT 10 in the eastern Bushveld of South Africa, and is prospective for PGMs. A diamond drilling programme and an Environmental Impact Assessment study associated with a full feasibility study commenced in the final quarter of the previous financial year.

By the end of June 2007, 19 holes had been drilled and logged, each with two deflections; all holes intersected well developed UG2 reef. Hole 11 (reported as abandoned in the December 2006 quarterly) was repositioned and was being re-drilled; hole 21 was delayed by a series of machine breakdowns but was close to completion. Six surface trenches on the outcrop had also been dug, mapped, sampled and assayed.

Prior to the current drilling campaign, the Company estimated an inferred 'in-situ' resource of 4.2 million tonnes grading 5.87g/t for approximately 790,000 ounces of 4E PGM (Pt, Pd, Rh, and Au) based on earlier work by Impala Platinum. The current drilling results have now allowed the Company's consulting geologists to geostatistically model the UG2 horizon at Everest North.

After allowance for geological losses due to dykes and potholes, the result is an indicated 'in-situ' resource of 5,265,925 tonnes grading 4.92 g/t for approximately 832,760 ounces of 4E PGM. The assayed metal split is Pt 54%, Pd 34%, Rh 11%, and Au 1%. The overall resource estimate comprises 3,842,365 tonnes on the 'main seam' grading 6.04 g/t 4E PGM, and 1,423,560 tonnes on the 'leader seam' grading 1.90 g/t 4E PGM. The results to date are very encouraging and in line with expectations.

AUSTRALIAN OPERATIONS

The Company announced on 16 February 2007 that it had concluded the sale of its interests in its Australian tenements. The consideration received for the sale of the interest in the tenements was 1.5 million fully paid ordinary shares of A$0.20 each in the ASX listed entity, Warwick Resources Limited ("Warwick Resources") plus A$55,000 in cash. The sale was completed pursuant to the option agreement with Warwick John Flint for the sale of the Company's interest in its Australian tenements at Jimblebar and Copper Knob dated 16 August 2004 and as extended on 16 August 2006.

CORPORATE

In July 2006 the Company's ordinary shares were admitted to trading on AIM. As part of this process the Company completed a placement of 40,000,000 ordinary shares at £0.30 (A$0.74) per share to raise £12 million (A$29.6 million) (before expenses).

In accordance with a Co-operation and Facilitation Agreement dated 7 December 2005, the Company, in July 2006 issued 5,275,000 ordinary shares, and in December 2006 issued 1,825,000 ordinary shares, to Portpatrick Ltd for securing the prospecting rights to prospective tailings dumps.

A placement of 22,900,000 ordinary shares at an issue price of £0.80 (A$1.92) per share raised £18.3 million (approximately A$44.0 million) in June 2007.

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.

Directors' report

Your directors present their report on the consolidated entity (referred to hereafter as 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 2007.

Directors

The following persons were directors of the Company during the whole of the financial year and up to the date of this report:

T M McConnachie
Dr E Kirby

R D Rossiter, Dr A P Ruiters and L M Carroll were appointed as directors on the 15 August 2007 and all continue in office at the date of this report.

G M Button was a director from the beginning of the financial year until his resignation on 21 June 2007.

E F G Nealon, M J Sturgess and K S Huntly were directors from the beginning of the financial year until their resignation on 15 August 2007.

Principal activities

The principal activity of the Group during the financial year was investment in mineral exploration and mineral treatment projects.

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

Information on the operations of the Group is set out in the review of operations and activities on pages 4 to 6 of this annual report.

Operating result for the year

The consolidated loss of the Group for the year after income tax expense was $11,116,675 (2006: $8,981,807).

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the Group to the date of this report other than share placements to private and institutional investors as detailed in the review of operations and activities.

Matters subsequent to the end of the financial year

There has not been any matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods other than as disclosed on pages 4 to 6 of this Annual 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.

Environmental legislation

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

Directors' report

Information on directors

T M McConnachie. *Chief Executive Officer. Age 51*

Experience and expertise

Appointed as a director in June 2005 and subsequently Chief Executive Officer in March 2006. Mr McConnachie has over 25 years of experience in mining, beneficiation of ferroalloys and precious metals. He was the founder of Merefe Resources Limited (formerly South African Chrome & Alloys Ltd), a successful chrome mining company; black empowered and listed on the Johannesburg Stock Exchange with assets worth in excess of a billion rand ($350 million). 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

Director of Dwyka Resources Limited (since 2007).

Former directorships in the last 3 years

None.

Special responsibilities

Chief executive officer.

Interests in shares and options

500,000 options over ordinary shares in Sylvania Resources Limited.

R D Rossiter BSc (Hons) MSc. *Non-Executive Chairman. Age 50*

Experience and expertise

Appointed in August 2007. Mr Rossiter joined the Board as non-executive Chairman. He will lead the Board in implementing its strategy of becoming a significant platinum group metal producer. He has had a distinguished career as an international resource sector specialist. He was most recently Director–Metals & Mining/Private Equity Asia at Standard Bank Plc (Australia) based in Sydney. In earlier years, he performed geological, mine management and business development roles at General Mining Union Corporation (later Gengold) in South Africa.

Other current directorships

None.

Former directorships in the last 3 years

None.

Special responsibilities

Chairman of the Board and Chairman of the Audit committee.

Interests in shares and options

32,000 ordinary shares in Sylvania Resources Limited.

Dr E Kirby BSc (Hons) Metallurgy, PhD Metallurgy, MAusIMM, MSAIMM. *Chief Operating Officer. Age 56*

Experience and expertise

Appointed in November 2003. Dr Kirby has worked for major Companies including Impala Platinum, Rand Mines, Rustenburg Platinum Mines, Minproc Engineers and Bechtel before starting his own consulting business in 2002. He has broad experience with the development of a wide range of mining and minerals processing projects particularly in Africa and Australia.

Other current directorships

Non-executive director of Dwyka Resources Limited (since 2002), non-executive director of Wedgetail Mining Limited (since 2004) and non-executive director of China Gold Mines Limited (since 2005).

Former directorships in the last 3 years

None.

Special responsibilities

Chief operating officer.

Interests in shares and options

764,300 ordinary shares in Sylvania Resources Limited.

L M Carroll B Com. *Finance Director. Age 61*

Experience and expertise

Appointed in August 2007. Mr Carroll joined the Board as Finance Director having worked for the Company over the past two years in its South African operations, principally in structuring financial reporting and systems. He has over 40 years experience in various industries, including property, manufacture, contracting, processing, printing and mining and at Board level in private and publicly listed entities.

Other current directorships

None.

Former directorships in the last 3 years

None.

Special responsibilities

Finance Director.

Interests in shares and options

200,000 options over ordinary shares in Sylvania Resources Limited.

Dr A P Ruiters BA (Hons), PhD (D.Phil).

Non-Executive Director. Age 42

Experience and expertise

Appointed in August 2007. Dr Ruiters joined the Board as non-executive director and will give guidance on project procurement, development and funding. Dr Ruiters is one of the founders of Ehlobo Holdings Limited, 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 3 years

None.

Special responsibilities

None.

Interests in shares and options

None.

Information on directors (continued)

Company secretary

The Company secretary is M J Langoulant, B.Com, CA. Mr Langoulant was appointed to the position of Company secretary in February 2005. Mr Langoulant operates a corporate consulting business that specialises in public company corporate secretarial/administration and fundraising. After 10 years with large international accounting firms he has acted as CFO, Company secretary and non-executive director with a number of publicly listed companies.

Meetings of directors

During the financial year there were 11 formal directors' meetings. All other matters that required formal Board resolutions were dealt with via written circular resolutions. In addition, the directors met on an informal basis at regular intervals during the year to discuss the Group's affairs.

The number of meetings of the Company's board of directors attended by each director were:

	Directors' meetings held whilst in office	Directors' meetings attended
T M McConnachie	11	10
R D Rossiter	-	-
Dr E Kirby	11	9
L M Carroll	-	-
Dr A P Ruiters	-	-
E F G Nealon	11	11
M J Sturgess	11	10
K S Huntly	11	9
G M Button	11	11

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.

Remuneration Report

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
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
- 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 current remuneration policy adopted is that no element of any director/executive package be directly related to the Company's financial performance. Indeed there are no elements of any director or executive remuneration that are dependent upon the satisfaction of any specific condition. The overall remuneration policy framework however is structured in an endeavour to advance/create shareholder wealth. This policy has not changed over the past five (5) financial years.

Directors' report

Remuneration Report (continued)

A Principles used to determine the nature and amount of remuneration (continued)

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
- 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 paid to executives.

Short-term incentives

There are no current short term incentive remuneration arrangements.

Employee share and option plan

To ensure that the Company has appropriate mechanisms in place to continue to attract and retain the services of suitable directors and employees, the Company has established the Share Plan and the Option Plan, which were approved by the Shareholders on 30 November 2005 at the Company's Annual General Meeting. The number of Ordinary Shares or Options that may be offered to a Participant is entirely within the discretion of the Board.

The Company does not intend to offer more than 6,000,000 securities (being a combination of Ordinary Shares under the Share Plan and Options under the Option Plan) under the current Share and Option Plan, which represented approximately 4.1% of the Ordinary Shares in issue at the time of approval.

B Details of remuneration

Amounts of remuneration

Details of the remuneration of the directors and key management personnel (as defined in AASB 124 Related Party Disclosures) of the Company and the Group for the year ended 30 June 2007 and 2006 are set out in the following tables. There are no elements of remuneration that are directly related to performance. 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 executives are:

- M J Langoulant – Company Secretary
- R A Jarvis – Group Financial Controller
- M L Burchnall – Manager - Strategic Development
- J Meyer – Managing Director, Sylvania Metals (Pty) Limited and Sylvania Minerals (Pty) Limited
- Z Marinkovic – Director, Sylvania Metals (Pty) Limited
- C De Vos – Internal Legal Advisor
- P R Carter – Managing Director, Sylvania Mining (Pty) Limited

Remuneration Report (continued)

B Details of Remuneration (continued)

Table 1: Key Management Personnel

2007	Primary benefits		Post-employment benefits	Sharebased payment	
Name	Cash Salary and Consulting Fees $	Directors' Fees $	Superannuation $	Equity Shares/Options $	TOTAL $
T M McConnachie	274,602	35,000	-	183,880	493,482
R D Rossiter	-	-	-	-	-
Dr E Kirby	200,004	35,000	3,150	60,620	298,774
L M Carroll	158,074	-	-	34,685	192,759
Dr A P Ruiters	-	-	-	-	-
E F G Nealon	198,000	35,000	3,150	60,620	296,770
M J Sturgess	99,600	35,000	3,150	60,620	198,370
K S Huntly	81,512	35,000	-	91,941	208,453
G M Button	120,000	34,137	3,072	60,620	217,829
Key management personnel					
M J Langoulant	51,000	-	-	20,206	71,206
R A Jarvis	77,095	-	3,158	17,899	98,152
M L Burchnall	158,786	-	14,291	8,949	182,026
J Meyer	171,626	-	-	34,685	206,311
Z Marinkovic	149,285	-	-	65,968	215,253
C De Vos	113,043	-	-	34,685	147,728
P R Carter	169,565	-	-	34,685	204,250

T M McConnachie was paid a cash bonus of $61,446 during the year. This is included within cash salary and consultancy fees. No other cash bonuses were paid to directors or executives during the year.
L M Carroll was appointed a director on 15 August 2007. Before this appointment he was the Finance Director of Sylvania South Africa (Pty) Limited, a wholly owned subsidiary of the Company. Amounts shown above include Mr Carroll's remuneration during the reporting period in this capacity.

Table 2: Key Management Personnel

2006	Primary benefits		Post-employment benefits	Sharebased payment	
Name	Cash Salary and Consulting Fees $	Directors' Fees $	Superannuation $	Equity Shares/Options $	TOTAL $
T M McConnachie	103,167	35,000	-	41,101	179,268
E F G Nealon	169,600	35,000	3,150	51,388	259,138
G M Button	120,000	25,000	13,150	51,388	209,538
Dr E Kirby	54,167	35,000	3,150	51,388	143,705
M J Sturgess	99,600	35,000	3,150	51,388	189,138
K S Huntly	27,830	35,230	-	20,551	83,611
Key management personnel					
M J Langoulant	36,000	-	-	17,129	53,129

Remuneration report (continued)

C Consultancy agreements

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

The details of the Chief Executive Officer'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 14 June 2006 and continues for two 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 this 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 6 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

Options
Options are granted under the Employee Share and Option Plan (the "plan") which was approved by shareholders at the 2005 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 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 is 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	Value per option at grant date	Date exercisable
20-Apr-06	30-Jun-09	$0.50	$0.56	50% after 21 April 2007; 50% after 21 April 2008
17-Oct-06	30-Jun-10	$0.75	$0.33	50% after 18 October 2007; 50% after 18 October 2008

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 Stock 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 16 to the financial statements.

	Number of options granted during the year		Number of options vested during the year	
	2007	2006	**2007**	2006
T M McConnachie	**-**	500,000	**250,000**	-
K S Huntly	**-**	250,000	**125,000**	-
L M Carroll	**200,000**	-	**-**	-
J Meyer	**200,000**	-	**-**	-
Z Marinkovic	**200,000**	-	**200,000**	-
C De Vos	**200,000**	-	**-**	-
P R Carter	**200,000**	-	**-**	-

Remuneration report (continued)

D Share-based compensation (continued)

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 model inputs for options granted during the year ended 30 June 2007 included:

(a) options are granted for no consideration, have a three year life, and 50% of each tranche vests and is exercisable on each anniversary of the date of grant

(b) share price at grant date: $0.87

(c) expected price volatility of the Company's shares: 48.5%

(d) expected dividend yield: Nil

(e) risk-free interest rate: 5.5%

Ordinary Shares
Ordinary shares are issued under the plan which was approved by shareholders at the 2005 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 employee equity benefit reserve and as employee benefit costs in the period the shares are vested.

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
21-Dec-05	$0.50	$0.165	50% after 21 December 2006; 50% after 21 December 2007
20-Dec-06	$0.90	$0.227	50% after 20 December 2007; 50% after 20 December 2008

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 16 to the financial statements.

	Number of shares granted during the year		Number of shares vested during the year	
	2007	2006	**2007**	2006
E F G Nealon	**-**	750,000	**375,000**	-
G M Button	**-**	750,000	**375,000**	-
Dr E Kirby	**-**	750,000	**375,000**	-
M J Sturgess	**-**	750,000	**375,000**	-
M J Langoulant	**-**	250,000	**125,000**	-
R A Jarvis	**200,000**	-	**-**	-
M L Burchnall	**100,000**	-	**-**	-

Directors' report

Remuneration report (continued)

Shares under option

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

Grant Date	Date of expiry	Exercise price	Number of options
20-Apr-06	30-Jun-09	$0.50	750,000
17-Oct-06	30-Jun-10	$0.75	800,000

No option holder has any right under the options to participate in any other share issue of the Company or any other controlled entity, with the exception of Ehlobo, who will acquire a 26% interest in SLV Metals and SLV Minerals on the contribution of specified funds as detailed in the review of operations and activities.

Shares issued on the exercise of options

The following ordinary shares of the Company were issued during the year ended 30 June 2007 on the exercise of options granted under the plan. No amounts are unpaid on any of the shares issued upon the exercise of options.

Grant Date	Issue price of share	Number of shares issued
17-Oct-06	$0.75	200,000

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 Declaration is set out on page 15 and forms part of this directors' report for the year ended 30 June 2007.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the consolidated entity are important.

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices or other auditors:

	Consolidated 2007 $
Assurance services	
HLB Mann Judd Australian firm:	
Audit and review of financial statements	**63,000**
Related practices of HLB Mann Judd (HLB Barnett Chown Inc.)	**10,663**
Non-HLB Mann Judd firm (LA Gambale)	**12,767**
Total remuneration for audit services	**86,430**
Advisory services	
HLB Mann Judd Australian firm:	
Services in respect to AIM Listing	**25,000**
Attendance at AGM and site visit to South African Operations	**4,750**
Total remuneration for advisory services	**29,750**
Total auditors' remuneration	**116,180**

Total auditors' remuneration

The audit committee has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of the non-audit service provided means that auditor independence was not compromised.

Proceedings on behalf of 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.

This report is made in accordance with a resolution of the directors.

T M McConnachie
Chief Executive Officer

Johannesburg, South Africa
4 September 2007

Auditor's independence declaration

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 Ltd for the year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Sylvania Resources Ltd.

Perth, Western Australia
4 September 2007

W M Clark
Partner, HLB Mann Judd

HLB Mann Judd (WA Partnership)
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Partners: Ian H Barsden, Terry M Blenkinsop, Litsa Christodulou, Wayne M Clark, Lucio Di Giallonardo, Colin D Emmott, Trevor G Hoddy, Norman G Neill, Peter J Speechley

Corporate governance statement

Introduction

Since the introduction of the ASX Principles of Good Corporate Governance and Best Practice Recommendations ("ASX Guidelines"), Sylvania Resources Limited (the "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 report. Commensurate with the spirit of the ASX Guidelines, the Company has followed each Recommendation where the Board has considered the recommendation to be an appropriate benchmark for corporate governance practices, taking into account factors such as the size of the Company and the Board, resources available and activities of the Company. Where, after due consideration, the Company's corporate governance practices depart from the Recommendations, the Board has offered full disclosure of the nature of, and reason for, the adoption of its own practice.

Further information about the Company's corporate governance practices is set out on the Company's website at www.sylvaniaresources.com. In accordance with the ASX Principles and Recommendations, information published on the Company's website includes charters (for the Board and its sub-committees), codes of conduct and other policies and procedures relating to the Board and its responsibilities.

Explanations for departures from best practice recommendations

Principle:	2
Recommendation:	2.1 – A majority of the Board should be independent directors.
Notification of departure:	One of the five directors is considered to be independent.
Explanation for departure:	The Board considers that its structure has been, and continues to be, appropriate in the context of the Company's recent history and that each of the non-independent directors possess skills and experience suitable for building the Company.

Principle:	2
Recommendation:	2.4 – The Board should establish a Nomination Committee.
Notification of departure:	A separate nomination committee has not been formed.
Explanation for departure:	The full Board considers those matters that would usually be the responsibility of a nomination committee. The composition of the Board does not make the establishment of a separate nomination committee practicable. The Board has adopted a Nomination Committee Charter, which it applies when convening as the nomination committee.

Principle:	4
Recommendation:	4.3 – Structure the Audit Committee so that it consists of only non-executive directors; a majority of independent directors; an independent chairperson, who is not chairperson to the Board; and at least 3 members.
Notification of departure:	The composition of the Audit Committee is not as recommended.
Explanation for departure:	The Chairman of the Company is also the Chairman of the Audit Committee as he is the only independent director on the Board. The structure of the audit committee is therefore not as recommended. The audit committee consists of one independent director and one non-independent director.

Introduction (continued)

Nomination committee

During the year there were no meetings of the full Board, in its capacity as the Nomination Committee.

Audit committee

During the reporting period, there were two Audit Committee meetings. The members during the reporting period were M J Sturgess (Chair) and M J Langoulant (Company Secretary) who attended both meetings and K S Huntly and Dr E Kirby who attended one meeting. The Audit Committee now consists of R D Rossiter (Chair), M J Langoulant (Company Secretary) and L M Carroll.

Remuneration committee

Company's remuneration policies

The Company's remuneration policies are discussed in the "Remuneration Report" section of the Directors' Report.

The Remuneration Committee did not meet during the reporting period.

Other

Skills, experience, expertise and term of office of each Director

A profile of each director in office at the date of this report containing the applicable information is set out in the Directors' Report.

Identification of independent directors

In considering independence of directors, the Board refers to the criteria for independence as recommended by the ASX. To the extent that it is necessary for the Board to consider issues of materiality, the Board refers to the thresholds for qualitative and quantitative materiality as adopted by the Board and contained in the Statement of Board and Management Functions, which is disclosed in full on the Company's website.

Applying the independence criteria during the reporting period, the Board considered that M J Strugess and K S Huntly were independent.

Of the current board R D Rossiter is considered to be independent.

Statement concerning availability of independent professional advice

If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his/her office as a director, then, provided the director first obtains approval for incurring such expense from the chairperson, the Company will pay the reasonable expenses associated with obtaining such advice.

Confirmation whether performance evaluation of the Board and its members have taken place and how conducted

During the reporting period a formal evaluation of the non-executive members of the Board was not carried out, as it was not considered to be a beneficial procedure given the size and composition of the Board and the nature of the Company's operations. However, the composition of the Board and its suitability to carry out the Company's objectives is discussed on an as-required basis during regular meetings of the Board and any adjustments made accordingly.

Income statements

For the year ended 30 June 2007

		Consolidated		Parent entity	
		2007	2006	**2007**	2006
	Notes	**$**	$	**$**	$
Revenue from continuing operations	2 (a)	**389,402**	-	**-**	-
Other income	2 (b)	**2,156,481**	439,220	**2,291,330**	429,220
Share of net profit of joint venture entity accounted for on an equity basis	20 (d)	**1,649,511**	1,148,649	**-**	-
Raw materials and consumables used		**(608,769)**	-	**-**	-
Depreciation		**(405,645)**	(5,633)	**(12,155)**	(2,673)
Exploration expenditure written off		**-**	(251,855)	**-**	-
Finance charges		**(6,082)**	-	**-**	-
Foreign exchange gain / (loss)		**(2,657,846)**	135,209	**(2,654,795)**	135,209
Project generation costs	2(c)	**(5,546,000)**	(7,294,461)	**(5,546,000)**	(7,200,000)
Impairment of loans to controlled entity		**-**	-	**(2,451,453)**	(706,693)
Other expenses		**(6,439,619)**	(3,311,065)	**(3,793,234)**	(2,510,945)
Loss before income tax expense		**(11,468,567)**	(9,139,936)	**(12,166,307)**	(9,855,882)
Income tax benefit	3	**351,892**	158,129	**-**	-
Loss after income tax expense from continuing operations	2	**(11,116,675)**	(8,981,807)	**(12,166,307)**	(9,855,882)
Net loss for the period	2	**(11,116,675)**	(8,981,807)	**(12,166,307)**	(9,855,882)
Net loss attributable to members of parent	2	**(11,116,675)**	(8,981,807)	**(12,166,307)**	(9,855,882)
Basic loss per share (cents)	4	**(7.59)**	(9.40)		

The above income statements should be read in conjunction with the accompanying notes.

Balance sheets
As at 30 June 2007

	Notes	Consolidated 2007 $	Consolidated 2006 $	Parent entity 2007 $	Parent entity 2006 $
Assets					
Current assets					
Cash and cash equivalents	6	**56,225,793**	5,945,746	**51,760,438**	5,850,676
Trade and other receivables	7	**838,747**	208,942	**92,188**	36,108
Total current assets		**57,064,540**	6,154,688	**51,852,626**	5,886,784
Non-current assets					
Available-for-sale financial assets	8	**1,516,290**	322,779	**1,516,290**	322,779
Investments accounted for using the equity method	9	**4,692,320**	4,761,496	**-**	-
Other financial assets	10	**-**	114,731	**25,966,119**	7,016,919
Deferred exploration expenditure	11	**1,322,596**	490,693	**-**	-
Plant and equipment	12	**15,864,198**	1,404,044	**24,203**	15,811
Deferred tax asset	3	**470,440**	158,129	**-**	-
Total non-current assets		**23,865,844**	7,251,872	**27,506,612**	7,355,509
Total assets		**80,930,384**	13,406,560	**79,359,238**	13,242,293
Current liabilities					
Trade and other payables	13	**3,295,481**	569,221	**731,299**	385,156
Borrowings	14	**21,988**	-	**-**	-
Total current liabilities		**3,317,469**	569,221	**731,299**	385,156
Non-current liabilities					
Borrowings	14	**91,055**	-	**-**	-
Total non-current liabilities		**91,055**	-	**-**	-
Total liabilities		**3,408,524**	569,221	**731,299**	385,156
Net assets		**77,521,860**	12,837,339	**78,627,939**	12,857,137
Equity					
Issued capital	15	**105,950,221**	29,242,204	**105,950,221**	29,242,204
Reserves	15	**(1,719,109)**	(812,288)	**1,441,351**	212,259
Accumulated losses	15	**(26,709,252)**	(15,592,577)	**(28,763,633)**	(16,597,326)
Total equity		**77,521,860**	12,837,339	**78,627,939**	12,857,137

The above balance sheets should be read in conjunction with the accompanying notes.

Statements of changes in equity

For the year ended 30 June 2007

Consolidated	**Issued capital $**	**Accumulated losses $**	**Reserves $**	**Total equity $**
Balance at 1 July 2005	22,042,204	(6,610,770)	(512,730)	14,918,704
Shares issued during the year	7,200,000	-	-	7,200,000
Loss for the period	-	(8,981,807)	-	(8,981,807)
Share based compensation reserve	-	-	325,441	325,441
Net gains revaluation reserve	-	-	(113,182)	(113,182)
Currency translation differences	-	-	(511,817)	(511,817)
Balance as at 30 June 2006	**29,242,204**	**(15,592,577)**	**(812,288)**	**12,837,339**
Shares issued during the year:				
Options exercised	150,000	-	-	150,000
Employee share plan				
loan repaid - proceeds	25,000	-	-	25,000
Share based payment reserve transferred to contributed equity	73,325	-	(73,325)	-
Placement	80,849,412	-	-	80,849,412
Less: Capital raising costs	(4,389,720)	-	-	(4,389,720)
Loss for the period	-	(11,116,675)	-	(11,116,675)
Share based compensation reserve	-	-	795,177	795,177
Net gains revaluation reserve	-	-	507,240	507,240
Currency translation differences	-	-	(2,135,913)	(2,135,913)
Balance at 30 June 2007	**105,950,221**	**(26,709,252)**	**(1,719,109)**	**77,521,860**
Parent entity				
Balance at 1 July 2005	22,042,204	(6,741,444)	-	15,300,760
Shares issued during the year	7,200,000	-	-	7,200,000
Loss for the period	-	(9,855,882)	-	(9,855,882)
Share based compensation reserve	-	-	325,441	325,441
Net gains revaluation reserve	-	-	(113,182)	(113,182)
Balance as at 30 June 2006	**29,242,204**	**(16,597,326)**	**212,259**	**12,857,137**
Shares issued during the year:				
Options exercised	150,000	-	-	150,000
Employee share plan				
loan repaid - proceeds	25,000	-	-	25,000
Share based payment reserve transferred to contributed equity	73,325	-	(73,325)	-
Placement	80,849,412	-	-	80,849,412
Less: Capital raising costs	(4,389,720)	-	-	(4,389,720)
Loss for the period	-	(12,166,307)	-	(12,166,307)
Share based compensation reserve	-	-	795,177	795,177
Net gains revaluation reserve	-	-	507,240	507,240
Balance at 30 June 2007	**105,950,221**	**(28,763,633)**	**1,441,351**	**78,627,939**

The above statements of changes in equity should be read in conjunction with the accompanying notes.

Cash flow statements

For the year ended 30 June 2007

	Notes	Consolidated		Parent entity	
		2007 $	2006 $	**2007 $**	2006 $
Cash flows from operating activities					
Receipts from customers		**1,978,172**	262,531	**-**	97,141
Payments to suppliers and employees		**(8,479,793)**	(3,040,050)	**(3,360,808)**	(2,332,403)
Interest received		**1,082,727**	429,763	**985,494**	429,763
Other revenue		**2,263,560**	-	**2,975**	-
Net cash (outflow) from operating activities	25	**(3,155,334)**	(2,347,756)	**(2,372,339)**	(1,805,499)
Cash flows from investing activities					
Payments for plant & equipment		**(16,618,770)**	(1,405,674)	**(55,132)**	(14,481)
Payments for available-for-sale financial assets		**(574,877)**	(435,961)	**(574,877)**	(435,961)
Payments for exploration and evaluation		**(875,019)**	(113,903)	**-**	-
Loans to related parties		**921,933**	(114,731)	**(4,000)**	(57,347)
Loans to controlled entities		**-**	-	**(20,568,221)**	(2,427,547)
Proceeds from sale of plant and equipment		**1,233,163**	-	**34,500**	-
Proceeds from sale of available-for-sale financial assets		**591,098**	19,193	**591,098**	19,193
Repayment of loan from related party		**114,731**	297,721	**212,560**	305,866
Net cash (outflow) from investing activities		**(15,207,741)**	(1,753,355)	**(20,364,072)**	(2,610,277)
Cash flows from financing activities					
Proceeds from issue of shares		**75,478,412**	-	**75,478,412**	-
Capital raising costs		**(4,177,444)**	-	**(4,177,444)**	-
Net cash inflow from financing activities		**71,300,968**	-	**71,300,968**	-
Net increase/(decrease) in cash held		**52,937,893**	(4,101,111)	**48,564,557**	(4,415,776)
Foreign exchange movement		**(2,657,846)**	(86,617)	**(2,654,795)**	135,209
Cash at the beginning of the financial year		**5,945,746**	10,133,474	**5,850,676**	10,131,243
Cash at the end of the financial year	6	**56,225,793**	5,945,746	**51,760,438**	5,850,676

The above cash flow statements should be read in conjunction with the accompanying notes.

Notes to the financial statements

For the year ended 30 June 2007

Note 1: Statement of 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 derivative financial instruments and available-for-sale investments, which have been measured at fair value. The Company is registered and domiciled in Australia.

(b) Adoption of new and revised standards

In the year ended 30 June 2007, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2006. It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

(c) Statement of compliance

The financial report was authorised by the Board of directors for issue on 4 September 2007.

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).

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Sylvania Resources Limited and its controlled entities as at 30 June each year (the Group)

The financial statements of the controlled entities 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. Controlled entities 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.

(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:

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 16.

Note 1: Statement of significant accounting policies (continued)

(f) 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.

(g) 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.

(h) 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 balance sheet 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(g).

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.

(i) 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 balance sheet.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(j) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectable 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.

Note 1: Statement of significant accounting policies (continued)

(k) 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 sheet 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 controlled entities are translated into the presentation currency of the Company at the rate of exchange ruling at the balance sheet date and their income statements 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.

(l) Interest in jointly controlled entities

The Group's interests in jointly controlled entities are brought to account using the equity method of accounting in the consolidated financial statements. The parent entity's interests in jointly controlled entities are brought to account using the cost method. Where the Group acquires an interest in a jointly controlled entity, the acquisition cost is amortised on a basis consistent with the method of amortisation used by the jointly controlled entity in respect to assets to which the acquisition costs relate.

(m) Income tax

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 sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet 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 controlled entities, 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.

Note 1: Statement of significant accounting policies (continued)

(m) Income tax (continued)

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 controlled entities, 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 sheet 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 sheet 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 sheet 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.

(n) 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, which 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 balance sheet.

Cash flows are included in the Cash Flow Statement 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 authority 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.

(o) Plant and equipment

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.

Note 1: Statement of significant accounting policies (continued)

(o) Plant and equipment (continued)

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

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

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(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.

For plant and equipment, impairment losses are recognised in the income statement in the cost of sales line item.

(ii) Revaluations
Where applicable, fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Any revaluation increment is credited to the asset revaluation reserve included in the equity section of the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss.

Any revaluation decrease is recognised in profit or loss, except that a decrease offsetting a previous revaluation increase for the same asset is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the re-valued carrying amounts of the assets and depreciation based on the assets' original costs.

Additionally, any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the re-valued amounts of the assets.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

(iii) De-recognition 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.

Note 1: Statement of significant accounting policies (continued)

(p) 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 transactions 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) 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.

(ii) 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 sheet 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.

(q) 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 re-valued amount (in which case the impairment loss is treated as a revaluation decrease).

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.

Note 1: Statement of significant accounting policies (continued)

(r) Trade and other payables

Trade payables and other payables are carried at amortised costs 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.

(s) 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.

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 income statement 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.

(t) 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.

(u) 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.

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.

Note 1: Statement of significant accounting policies (continued)

(u) Share-based payment transactions (continued)

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 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).

(v) 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.

(w) Earnings per share

Basic earnings per share is calculated as net profit 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 is calculated as net profit 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.

(x) Exploration and evaluation expenditure

The Group's policy with respect to exploration and evaluation expenditure is to use the "area of interest" method. Under this method, exploration and evaluation costs are carried forward on the following basis:

(i) Each area of interest is considered separately when deciding whether and to what extent to carry forward or write off exploration and evaluation costs.

(ii) Exploration and evaluation costs related to an area of interest are carried forward provided that rights to tenure of the area of interest are current and provided further that one of the following conditions are met:

- such costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively, by its sale; or
- exploration and/or evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in relation to the area are continuing.

Exploration and evaluation costs accumulated in respect to each particular area of interest includes only net direct expenditure.

(iii) The carrying values of exploration and evaluation costs are reviewed by directors where results of exploration and/or evaluation of an area of interest are sufficiently advanced to permit a reasonable estimate of the costs expected to be recouped through successful development and exploitation of the area of interest or by its sale. Expenditure in excess of this estimate is written off to the income statement in the year in which the review occurs.

Notes to the financial statements

Note 2: Revenue and expenses

	Consolidated		Parent entity	
	2007 $	2006 $	**2007 $**	2006 $
(a) Revenue from continuing operations				
Sales revenue				
Sale of goods	**389,402**	-	**-**	-
(b) Other income				
Interest received	**1,112,982**	429,763	**1,015,748**	429,763
Sale of mining tenements	**350,000**	-	**-**	-
Net gain / (loss) on disposal of non-current assets	**(85)**	-	**(85)**	-
Tenement option funds	**7,500**	10,000	**-**	-
Net capital gain / (loss) on sale of available-for-sale financial assets	**291,098**	(543)	**291,098**	(543)
Administration recovery	**-**	-	**984,569**	-
Management fee received	**394,986**	-	**-**	-
	2,156,481	439,220	**2,291,330**	429,220
(c) Expenses				
Loss from ordinary activities before income tax expense includes the following specific expenses:				
Consulting	**1,123,316**	982,521	**955,383**	955,973
Depreciation	**405,645**	5,633	**12,155**	2,673
Foreign exchange (gain) / loss	**2,657,846**	(135,209)	**2,654,795**	(135,209)
Project generation costs	**5,546,000**	7,294,461	**5,546,000**	7,200,000
Impairment of loans to subsidiaries	**-**	-	**2,451,453**	706,693
Tenement exploration expenses written off	**-**	251,855	**-**	-
Share based payments expense	**795,177**	325,441	**795,177**	325,441
	10,527,984	8,724,702	**12,414,963**	9,055,571

Note 3: Income tax

Major components of income tax expense for the years ended 30 June 2007 and 2006 are:	Consolidated		Parent entity	
	2007 $	2006 $	**2007 $**	2006 $
Income statement				
Current income tax				
Current income tax charge	**(1,572,628)**	(187,698)	**(534,826)**	(62,046)
Adjustments in respect of current income tax of previous years	**53,556**	(10,428)	**53,556**	(10,428)
Deferred income tax				
Relating to origination and reversal of temporary differences	**379,333**	(132,907)	**(266,353)**	(132,907)
Tax losses not previously recognised now brought to account	**-**	(158,129)	**-**	-
Current year tax losses not recognized in the current period	**787,847**	331,033	**747,623**	205,381
Income tax (benefit) reported in income statement	**(351,892)**	(158,129)	**-**	-
Unrecognised deferred tax balances				
Unrecognised deferred tax assets - Losses	**1,985,797**	792,126	**1,243,780**	577,174
Unrecognised deferred tax assets - Capital losses	**455,608**	13,898	**455,608**	13,898
Unrecognised deferred tax assets - Temporary differences	**1,155,670**	801,287	**1,155,670**	184,921
Unrecognised deferred tax liabilities	**-**	(49,222)	**-**	(49,222)
Net unrecognised deferred tax assets	**3,597,075**	1,558,089	**2,855,058**	726,771
Reconciliation to income tax benefit on accounting loss				
Accounting loss	**(11,468,569)**	(9,139,936)	**(12,166,305)**	(9,855,882)
Tax expense (revenue) at the statutory income tax rate of 30%	**(3,440,571)**	(2,741,981)	**(3,649,891)**	(2,956,765)
Sundry non-deductible(deductible) expenses	**2,247,275**	2,448,142	**2,848,712**	2,788,577
Share issue costs taken to equity	**-**	(26,766)	**-**	(26,766)
Over-provision of tax in prior year	**53,556**	(10,428)	**53,556**	(10,428)
Tax losses not previously recognised now brought to account	**-**	(158,129)	**-**	-
Benefit of tax losses and timing differences not brought to account	**787,848**	331,033	**747,623**	205,382
Income tax (benefit)	**(351,892)**	(158,129)	**-**	-

Notes to the financial statements

For the year ended 30 June 2007

Note 3: Income tax (continued)

	Consolidated		Parent entity	
	2007 $	2006 $	**2007 $**	2006 $
Deferred tax asset				
The balance comprises temporary differences attributable to:				
Amounts recognised in profit and loss:				
Share raising costs expensed	**-**	49,222	**-**	49,222
Unredeemed capital expenditure	**4,906,233**	-	**-**	-
Current year tax loss	**372,514**	158,129	**-**	-
Unrealised foreign exchange loss	**9,076**	-	**9,076**	-
	5,287,823	207,351	**9,076**	49,222
Set-off against deferred tax liability	**(4,817,383)**	(49,222)	**(9,076)**	(49,222)
	470,440	158,129	**-**	-
Deferred tax liability				
The balance comprises temporary differences attributable to:				
Amounts recognised in profit and loss:				
Unrealised foreign exchange gain	**-**	39,161	**-**	39,161
Plant and equipment	**4,808,306**	-	**-**	-
Accrued interest	**9,077**	-	**9,077**	-
	4,817,383	39,161	**9,077**	39,161
Amounts recognized directly in equity:				
Asset revaluation reserve movement	**-**	10,061	**-**	10,061
	4,817,383	49,222	**9,077**	49,222
Set-off against deferred tax assets	**(4,817,383)**	(49,222)	**(9,077)**	(49,222)
	-	-	**-**	-

At 30 June 2007, there is no recognised or unrecognised deferred income tax liability for taxes that would be payable on the unremitted earnings of certain of the Group's controlled entities, associate or joint venture, as the Group has no liability for additional taxation should such amounts be remitted.

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.

Note 4: Earnings per share

	Consolidated	
	2007 Cents per share	2006 Cents per share
Total basic loss per share	**(7.59)**	(9.40)
The loss and weighted average number of ordinary shares used in the calculation of basic loss per share is as follows:		
Net loss for the period	**(11,116,675)**	(8,981,807)
The weighted average number of ordinary shares	**146,497,424**	95,564,205

The diluted loss per share is not reflected as the result is anti-dilutive.

Note 5: Segment reporting

Segment Information

The Group's primary segment reporting format is geographical segments.

Geographical segments

The following table presents revenue, results and certain asset and liability information regarding geographical segments for the years ended 30 June 2007 and 30 June 2006.

30 June 2007	Continuing operations		Inter-segment eliminations	Total operations
	Australia $	South Africa $	$	$
Segment revenue				
Sale of goods	-	389,402	-	389,402
Other revenue	2,648,830	524,005	(1,016,354)	2,156,481
Share of net profit from jointly controlled entity accounted for on an equity basis	-	1,649,511	-	1,649,511
Total segment revenue	**2,648,830**	**2,562,918**	**(1,016,354)**	**4,195,394**
Segment results	(11,805,883)	(3,901,724)	4,590,932	(11,116,675)
Segment assets	79,359,238	27,066,826	(25,495,680)	80,930,384
Segment liabilities	731,299	31,542,714	(28,865,489)	3,408,524

Notes to the financial statements

For the year ended 30 June 2007

Note 5: Segment reporting (continued)

30 June 2006	Continuing operations		Inter-segment	Total
	Australia $	South Africa $	eliminations $	operations $
Segment revenue				
Other revenue	439,220	-	-	439,220
Share of net profit from jointly controlled entity accounted for on an equity basis	-	1,148,649	-	1,148,649
Total segment revenue	**439,220**	**1,148,649**	**-**	**1,587,869**
Segment results	(10,097,737)	(104,670)	1,220,600	(8,981,807)
Segment assets	13,242,293	7,123,838	(6,959,571)	13,406,560
Segment liabilities	385,156	184,065	-	569,221

Note 6: Cash and cash equivalents

	Consolidated		Parent entity	
	2007 $	2006 $	**2007 $**	2006 $
Cash at bank and on hand	**46,635,252**	250,382	**46,108,863**	155,312
Short term deposits	**9,590,541**	5,695,364	**5,651,575**	5,695,364
	56,225,793	5,945,746	**51,760,438**	5,850,676

(a) Reconciliation to Cash Flow Statement

The above figures agree to cash at the end of the financial year as shown in the cash flow statements.

(b) Cash at bank and on hand

These are bearing interest rates of between 4.75% and 5.75% (2006: 3.75% and 5.25%)

(c) Deposits at call

The deposits are bearing floating interest rates between 5.00% and 5.20% (2006: 4.45% and 5.73%). These deposits have a maturity of between 30 and 90 days.

(d) Cash balances not available for use

As at 30 June 2007, an amount of R600,000 (A$99,897) was held in trust with Phillip Silver Sweidan Inc (Attorneys, Notaries and Conveyancers) based in Johannesburg. The amount was lodged as a security deposit against a claim that has been made against the Company by an external creditor. On the 13 July 2007, subsequent to the year end the matter was settled in full and final settlement of all claims which either party may have against the other. In terms of the settlement, an amount of R300,000 was refunded to the Company and the balance together with all interest accrued from the investment of the R600,000 deposit was paid out to Latilla Mineral Marketing (BOP) (Pty) Limited. Each party being liable for their own legal costs.

As at 30 June 2007, an amount of R7,699,686 (A$1,281,921) was held on behalf of a related party and is included in the cash at bank and on hand balance above. Funds were relinquished subsequent to the year end.

Note 7: Trade and other receivables

	Consolidated		Parent entity	
	2007 $	2006 $	**2007 $**	2006 $
Trade receivables	**391,434**	172,834	**-**	-
Other receivables	**424,058**	36,108	**82,462**	36,108
Prepayments	**23,255**	-	**9,726**	-
	838,747	208,942	**92,188**	36,108

Note 8: Available-for-Sale financial assets

At fair value				
Listed shares	**1,365,380**	272,476	**1,365,380**	272,476
Listed options	**150,910**	50,303	**150,910**	50,303
	1,516,290	322,779	**1,516,290**	322,779

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

Note 9: Investments accounted for using the equity method

Interest in joint venture (Refer to Note 20)	**4,692,320**	4,761,496	**-**	-

Note 10: Other financial assets

Non interest-bearing loans	**-**	114,731	**-**	57,347
Loan receivable from subsidiary	**-**	-	**28,882,410**	7,424,410
Impairment of loan to subsidiary	**-**	-	**(2,916,291)**	(464,838)
Investment in subsidiary	**-**	-	**1,500,004**	1,500,004
Impairment of investment in subsidiary	**-**	-	**(1,500,004)**	(1,500,004)
	-	114,731	**25,966,119**	7,016,919

Note 11: Deferred exploration expenditure

	Consolidated 2007 $	Consolidated 2006 $	Parent entity 2007 $	Parent entity 2006 $
Acquisition, exploration and evaluation expenditure at cost in respect of areas of interest in the exploration phase	**1,322,596**	490,693	-	-
Costs carried forward in respect of:				
Exploration and evaluation phase – at cost				
Balance at beginning of financial year	**490,693**	644,400	-	-
Foreign currency movements	**(56,246)**	(15,755)	-	-
Direct expenditure for the year	**888,149**	113,903	-	-
Expenditure written off	**-**	(251,855)	-	-
Balance at end of financial year	**1,322,596**	490,693	-	-

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.

Note 12: Plant and equipment

Consolidated	Construction in progress $	Plant and equipment $	Computer equipment $	Furniture and fittings $	Office equipment $	Motor vehicles $	**Total $**
At 1 July 2005							
Cost or fair value	-	-	-	-	4,003	-	**4,003**
Accumulated depreciation	-	-	-	-	-	-	**-**
Net book value	-	-	-	-	4,003	-	**4,003**
Year ended 30 June 2006							
Opening net book value	-	-	-	-	4,003	-	**4,003**
Exchange differences	-	-	-	-	-	-	**-**
Additions	1,271,554	-	14,570	11,558	16,804	90,910	**1,405,396**
Disposals	-	-	-	-	-	-	**-**
Re-allocation between asset classes	-	-	-	-	-	-	**-**
Depreciation charge	-	-	(1,207)	(866)	(3,282)	-	**(5,355)**
Closing net book value	1,271,554		13,363	10,692	17,525	90,910	**1,404,044**
At 30 June 2006							
Cost or fair value	1,271,554	-	14,570	11,558	20,807	90,910	**1,409,399**
Accumulated depreciation	-	-	(1,207)	(866)	(3,282)	-	**(5,355)**
Net carrying amount	1,271,554	-	13,363	10,692	17,525	90,910	**1,404,044**

Note 12: Plant and equipment (continued)

Consolidated	Construction in progress $	Plant and equipment $	Computer equipment $	Furniture and fittings $	Office equipment $	Motor vehicles $	**Total $**
At 1 July 2006							
Cost or fair value	1,271,554	-	14,570	11,558	20,807	90,910	**1,409,399**
Accumulated depreciation	-	-	(1,207)	(866)	(3,282)	-	**(5,355)**
Net book value	1,271,554	-	13,363	10,692	17,525	90,910	**1,404,044**
Year ended 30 June 2007							
Opening net book value	1,271,554	-	13,363	10,692	17,525	90,910	**1,404,044**
Exchange differences	(145,753)	-	(1,598)	(933)	(732)	(10,419)	**(159,435)**
Additions	15,993,601	-	33,113	25,423	23,101	178,905	**16,254,143**
Disposals	(1,190,353)	-	(3,971)	-	-	(34,585)	**(1,228,909)**
Re-allocation between asset classes	(3,481,592)	3,481,592	-	-	-	-	**-**
Depreciation charge	-	(337,678)	(9,674)	(4,762)	(8,972)	(44,559)	**(405,645)**
Closing net book value	12,447,457	3,143,914	31,233	30,420	30,922	180,252	**15,864,198**
At 30 June 2007							
Cost or fair value	12,447,457	3,481,592	42,114	36,048	43,176	224,811	**16,275,198**
Accumulated depreciation	-	(337,678)	(10,881)	(5,628)	(12,254)	(44,559)	**(411,000)**
Net carrying amount	12,447,457	3,143,914	31,233	30,420	30,922	180,252	**15,864,198**

Parent entity	Construction in progress $	Plant and equipment $	Computer equipment $	Furniture and fittings $	Office equipment $	Motor vehicles $	Total $
At 1 July 2005							
Cost or fair value	-	-	-	-	4,003	-	**4,003**
Accumulated depreciation	-	-	-	-	-	-	**-**
Net book value	-	-	-	-	4,003	-	**4,003**
Year ended 30 June 2006							
Opening net book value	-	-	-	-	4,003	-	**4,003**
Exchange differences	-	-	-	-	-	-	**-**
Additions	-	-	2,217	2,590	9,674	-	**14,481**
Disposals	-	-	-	-	-	-	**-**
Re-allocation between asset classes	-	-	-	-	-		**-**
Depreciation charge	-	-	(107)	(29)	(2,537)	-	**(2,673)**
Closing net book value	-	-	2,110	2,561	11,140	-	**15,811**
At 30 June 2006							
Cost or fair value	-	-	2,217	2,590	13,677	-	**18,484**
Accumulated depreciation	-	-	(107)	(29)	(2,537)	-	**(2,673)**
Net carrying amount	-	-	2,110	2,561	11,140	-	**15,811**

Notes to the financial statements
For the year ended 30 June 2007

Note 12: Plant and equipment (continued)

Parent entity	Construction in progress $	Plant and equipment $	Computer equipment $	Furniture and fittings $	Office equipment $	Motor vehicles $	**Total $**
At 1 July 2006							
Cost or fair value	-	-	2,217	2,590	13,677	-	**18,484**
Accumulated depreciation	-	-	(107)	(29)	(2,537)	-	**(2,673)**
Net book value	-	-	2,110	2,561	11,140	-	**15,811**
Year ended 30 June 2007							
Opening net book value	-	-	2,110	2,561	11,140	-	**15,811**
Exchange differences	-	-	-	-	-	-	**-**
Additions	-	-	1,934	3,775	10,499	38,924	**55,132**
Disposals	-	-	-	-	-	(34,585)	**(34,585)**
Re-allocation between asset classes	-	-	-	-	-	-	**-**
Depreciation charge	-	-	(1,189)	(381)	(6,246)	(4,339)	**(12,155)**
Closing net book value	-	-	2,855	5,955	15,393	-	**24,203**
At 30 June 2007							
Cost or fair value	-	-	4,151	6,365	24,176	-	**34,692**
Accumulated depreciation	-	-	(1,296)	(410)	(8,783)	-	**(10,489)**
Net carrying amount	-	-	2,855	5,955	15,393	-	**24,203**

Note 13: Trade and other payables

	Consolidated		Parent entity	
	2007 $	2006 $	**2007 $**	2006 $
Trade payables	**1,677,754**	491,437	**571,213**	307,372
Other payables	**1,617,727**	77,784	**160,086**	77,784
	3,295,481	569,221	**731,299**	385,156

Note 14: Borrowings

Secured				
Current liabilities				
Lease liabilities (Refer to Note 19)	**21,988**	-	**-**	-
Non-current liabilities				
Lease liabilities (Refer to Note 19)	**91,055**	-	**-**	-

Note 15: Contributed equity and reserves

(a) Ordinary shares issued

	Consolidated		Parent entity	
	2007 $	2006 $	**2007 $**	2006 $
176,029,273 ordinary shares (2006: 105,529,273)	**105,950,221**	29,242,204	**105,950,221**	29,242,204

Holders of ordinary shares are entitled to receive dividends as declared from time to 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	Notes	Number of shares	Issue price	$
1 July 2006	Opening balance		105,529,273		29,242,204
21 July 2006	Placement proceeds	*(i)*	40,000,000		29,487,840
26 July 2006	Share issue	*(ii)*	5,275,000	$0.74	3,903,500
25 October 2006	Share issue	*(ii)*	1,825,000	$0.90	1,642,500
20 December 2006	Shares issued under share plan	*(iii)*	300,000	$0.90	-
22 December 2006	Employee share plan loan repaid - proceeds		-	-	25,000
	Transfer from share-based payments reserve		-	-	7,357
6 June 2007	Exercise of 2006 options under employee share plan				
	Proceeds received		200,000	$0.75	150,000
	Transfer from share-based payments reserve		-	-	65,968
15 June 2007	Placement proceeds	*(iv)*	22,900,000		45,815,572
	Less: Transaction costs arising on share issue				(4,389,720)
			176,029,273		**105,950,221**

Note 15: Contributed equity and reserves (continued)

(b) Movements in ordinary share capital (continued):

Notes

(i) 40,000,000 placing shares in the Company were issued at a deemed issue price of £0.30 and the Company commenced trading its shares on the AIM.

(ii) 5,275,000 and 1,825,000 shares in the Company were issued at a deemed issue price of $0.74 and $0.90 respectively for services rendered in securing opportunities to participate in eligible projects involving the re-treatment of Samancor's tailings for the extraction of chrome at Samancor's tailing dumps at its Western and Eastern Chrome mines.

(iii) 300,000 shares in the Company were issued at a deemed issue price of $0.90 in accordance with the Company's Employee Share Plan funded by way of a limited recourse loan repayable in 2 years from the date of issue. The equity contribution from these shares will be recognised upon receipt of funds by the Company at the later of the loan being repaid by the employee or from funds recovered at the termination of the loan in accordance with the Share Plan terms and conditions. Refer Note 16.

(iv) 22,900,000 placing shares in the Company were issued at an issue price of £0.80 per issue.

(c) Options

The Company has established an Employee Option Plan ("Option Plan"), which was approved by Shareholders at the Company's Annual General Meeting on the 30 November 2005.

On the 20 April 2006 the Company issued 750,000 options exercisable at $0.50 on or before the 30 June 2009 in accordance with the terms and conditions of the Option Plan. Refer Note 16.

On the 17 October 2006 the Company issued 1,000,000 options exercisable at $0.75 on or before 30 June 2010 in accordance with the terms and conditions of the Option Plan. Refer Note 16.

Note 15: Contributed equity and reserves (continued)

(d) Accumulated Losses

	Consolidated		Parent entity	
	2007 **$**	2006 $	**2007** **$**	2006 $
Balance as at 1 July 2006	**15,592,577**	6,610,770	**16,597,326**	6,741,444
Net loss for the year	**11,116,675**	8,981,807	**12,166,307**	9,855,882
Balance as at 30 June 2007	**26,709,252**	15,592,577	**28,763,633**	16,597,326

(e) Reserves

Nature and purpose of reserves

Net unrealised gains reserve
This reserve records fair value changes on available-for-sale investments.
Employee equity benefits 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 16.
Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign controlled entities. It is also used to record the foreign exchange effect of net investments in foreign operations.

Reserves	Consolidated				Parent			
	Net Unrealised Gains Reserve $	Equity Benefits Reserve $	Currency Translation Reserve $	**Total** **$**	Net Unrealised Gains Reserve $	Equity Benefits Reserve $	Currency Translation Reserve $	**Total** **$**
At 1 July 2005	-	-	(512,730)	**(512,730)**	-	-	-	**-**
Unrealised gain/(loss) on available-for-sale financial assets	(113,182)	-	-	**(113,182)**	(113,182)	-	-	**(113,182)**
Currency translation differences	-	-	(511,817)	**(511,817)**	-	-	-	**-**
Share and option-based payments	-	325,441	-	**325,441**	-	325,441	-	**325,441**
At 30 June 2006	(113,182)	325,441	(1,024,547)	**(812,288)**	(113,182)	325,441	-	**212,259**
Unrealised gain/(loss) on available-for-sale financial assets	507,240	-	-	**507,240**	507,240	-	-	**507,240**
Currency translation differences	-	-	(2,135,913)	**(2,135,913)**	-	-	-	**-**
Share and option-based payments	-	721,852	-	**721,852**	-	721,852	-	**721,852**
At 30 June 2007	394,058	1,047,293	(3,160,460)	**(1,719,109)**	394,058	1,047,293	-	**1,441,351**

Note 16: Share based payments

(a) Employee option plan

An employee incentive option plan was approved at the 2005 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 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 - 2007

Grant date	Expiry date	Exercise price	Balance at start of year Number	Granted during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
20 April 2006	30 June 2009	$0.50	750,000	-	750,000	375,000
17 October 2006	30 June 2010	$0.75	-	1,000,000	800,000	-
			750,000	1,000,000	1,550,000	375,000
Weighted average exercise price			$0.50	$0.75	$0.63	$0.50

Consolidated and parent entity - 2006

Grant date	Expiry date	Exercise price	Balance at start of year Number	Granted during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
20 April 2006	30 June 2009	$0.50	-	750,000	750,000	-
			-	750,000	750,000	-
Weighted average exercise price			-	$0.50	$0.50	-

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

Note 16: Share based payments (continued)

(a) Employee option plan (continued)

Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 30 June 2007 was 33 cents per option. The fair value at grant date is 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 model inputs for options granted during the year ended 30 June 2007 included:

(a) options are granted for no consideration, have a three year life, and 50% of each tranche vests and is exercisable on each anniversary of the date of grant

(b) share price at grant date: $0.87

(c) expected price volatility of the Company's shares: 48.5%

(d) expected dividend yield: Nil

(e) risk-free interest rate: 5.5%

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.

(b) Employee share plan

An employee incentive share plan was approved at the 2005 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.

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.

Note 16: Share based payments (continued)

(b) Employee share plan (continued)

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(u).

On 21 December 2005, 3,850,000 shares were issued at $0.50 to directors, consultants and employees under the plan. The shares were paid for by way of a loan payable on or before 21 December 2007 (as provided by the plan).

On 20 December 2006, 300,000 shares were issued at $0.90 to consultants and employees under the plan. The shares were paid for by way of a loan payable on or before 20 December 2008 (as provided by the plan).

For details of the shares issued to directors and executives refer to note 23.

(c) Expenses relating to share based payment transactions

	Consolidated		Parent entity	
	2007 $	2006 $	**2007 $**	2006 $
Options issued under employee option plan	**480,529**	61,651	**480,529**	61,651
Shares issued under employee share plan	**314,648**	263,790	**314,648**	263,790
	795,177	325,441	**795,177**	325,441

Note 17: Financial risk management objectives and policies

The Group's principal financial instruments comprise of cash and short-term deposits.

The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are interest rate risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

All cash balances attract a floating rate of interest. The unsecured loan to another party does not attract interest. The Group's exposure to interest rate risk and the effective interest rate by maturity periods is set out below.

Credit risk

Credit risk relates to the risk that counterparties will default on their contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from any defaults.

The exposure of the Group to credit risk in relation to each class of recognised financial asset is the carrying amount as indicated in the balance sheet.

Note 18: Financial instruments

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments recognised in the financial statements.

Market values have been used to determine the fair value of listed available-for-sale investments.

The fair values of all financial assets and liabilities approximate their carrying values as indicated in the balance sheet.

2007	Weighted average interest rate	Non-interest bearing $	Floating interest rate $	1 year or less $	Over 1 to 5 years $	**Total $**
Financial assets						
Cash and deposits	**4.77%**	150	56,225,643	-	-	**56,225,793**
Receivables		838,747	-	-	-	**838,747**
Investments		1,516,290	-	-	-	**1,516,290**
		2,355,187	56,225,643	-	-	**58,580,830**
Financial liabilities						
Trade and other payables		(3,295,481)	-	-	-	**(3,295,481)**
Borrowings	**12.55%**	-	(113,043)	-	-	**(113,043)**
		(3,295,481)	(113,043)	-	-	**(3,408,524)**
		(940,294)	56,112,600	-	-	**55,172,306**
2006						
Financial assets						
Cash and deposits	**5.05%**	140	5,945,606	-	-	**5,945,746**
Receivables		208,942	-	-	-	**208,942**
Investments		322,779	-	-	-	**322,779**
Loans		114,731	-	-	-	**114,731**
		646,592	5,945,606	-	-	**6,592,198**
Financial liabilities						
Trade and other payables		(569,221)	-	-	-	**(569,221)**
Net financial assets/(liabilities)		77,371	5,945,606	-	-	**6,022,977**

Notes to the financial statements

For the year ended 30 June 2007

Note 19: Commitments and contingencies

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 entity	
	2007 $	2006 $	**2007 $**	2006 $
Within one year	**80,891**	111,749	**71,892**	71,892
After one year but not more than five years	**41,937**	120,997	**41,937**	110,834
More than five years	**-**	-	**-**	-
	122,828	232,746	**113,829**	182,726

Office equipment

Sylvania South Africa (Propriety) 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 one year	**5,458**	9,020	-	-
After one year but not more than five years	**12,736**	30,067	-	-
More than five years	**-**	-	-	-
	18,194	39,087	-	-

Finance lease commitments
Motor vehicles

Sylvania South Africa (Propriety) Limited entered into two lease agreements during the period in respect to motor vehicles.

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

Within one year	**21,988**	-	-	-
After one year but not more than five years	**91,055**	-	-	-
More than five years	**-**	-	-	-
	113,043	-	-	-

Note 20: Interest in joint venture

Sylvania South Africa (Pty) Limited, a wholly owned subsidiary of the Company has a 25% interest in an un-incorporated joint venture, CTRP, which operates a chrome tailings re-treatment plant at Kroondal in South Africa for the purpose of extracting platinum group metals. The Group has accounted for this interest on an equity accounting basis.

	Consolidated	
	2007 $	2006 $
(a) Retained earnings attributable to interest in jointly controlled entity		
Balance at beginning of financial period	**1,136,338**	143,079
Distribution received from jointly controlled entity	**(1,534,253)**	(155,390)
Share of jointly controlled entity's profit from ordinary activities after income tax	**1,649,511**	1,148,649
Balance at end of financial period	**1,251,596**	1,136,338
(b) Reserves attributable to interest in jointly controlled entity	**-**	-
(c) Carrying amount of investment in jointly controlled entity		
Balance at beginning of the financial period	**4,761,496**	4,617,660
Management fees raised in period	**394,986**	-
Distribution received from jointly controlled entity	**(1,534,253)**	(155,390)
Share of jointly controlled entity's profit from ordinary activities, after income tax	**1,649,511**	1,148,649
Balance at end of financial period	**5,271,740**	5,610,919
Foreign currency translation movements		
Balance at beginning of the financial period	**(849,423)**	(575,185)
Movement during the financial period	**270,003**	(274,238)
Balance at end of financial period	**(579,420)**	(849,423)
	4,692,320	4,761,496
(d) Share of joint venture entity's results and financial position		
Current assets	**2,597,933**	929,472
Non-current assets	**1,315,026**	2,460,045
Total assets	**3,912,959**	3,389,517
Current liabilities	**2,174,959**	2,085,687
Non-current liabilities	**-**	177,918
Total liabilities	**2,174,959**	2,263,605
Revenue	**3,512,510**	2,257,982
Expenses	**(1,862,999)**	(1,109,333)
Profit from ordinary activities before income tax Income tax expense	**1,649,511**	1,148,649
	-	-
Profit from ordinary activities after income tax	**1,649,511**	1,148,649

Note 21: Events after the balance sheet date

There has not been any matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Note 22: Auditors' remuneration

	Consolidated		Parent entity	
	2007 $	2006 $	**2007 $**	2006 $
Assurance services				
HLB Mann Judd Australian firm:				
Audit and review of financial statements	**63,000**	21,640	**63,000**	21,640
Related practices of HLB Mann Judd				
(HLB Barnett Chown Inc.)	**10,663**	28,032	**-**	-
Non-HLB Mann Judd practice (LA Gambale)	**12,767**	-	**-**	-
Total remuneration for audit services	**86,430**	49,672	**63,000**	21,640
Taxation services				
HLB Mann Judd Australian firm:				
Tax compliance services, including review of Company income tax returns	**-**	3,958	**-**	3,958
Related practices of HLB Mann Judd				
(HLB Barnett Chown Inc.)	**-**	1,626	**-**	-
Total remuneration for taxation services	**-**	5,584	**-**	3,958
Advisory services				
HLB Mann Judd Australian firm:				
Services in respect to AIM Listing	**25,000**	16,600	**25,000**	16,600
Advice regarding Share and Options valuations	**-**	2,400	**-**	2,400
Other	**4,750**	-	**4,750**	-
Total remuneration for advisory services	**29,750**	19,000	**29,750**	19,000
Total auditors' remuneration				
Total auditors' remuneration	**116,180**	74,256	**92,750**	44,598

Note 23: Key management personnel disclosures

(a) Directors

(i) *Chairman –Non-Executive*
R D Rossiter

(ii) *Executive Directors*

T M McConnachie	*Chief Executive Officer*
Dr E Kirby	*Chief Operating Officer*
L M Carroll	*Finance Director*

(iii) Non-Executive Directors
Dr A P Ruiters

On 21 June 2007, Mr G M Button resigned as a director of the Company effective from the close of business on that day. Mr Button previously held the title of Executive Director of the Company and was based in Australia.

Furthermore, on 15 August 2007, the Company announced a re-organisation of its executive team in response to expanding activities in South Africa. Mr R D Rossiter was appointed as non-executive Chairman, Dr A P Ruiters was appointed as non-executive director and Mr L M Carroll was appointed as Finance Director.

As a result of the above appointments Mr E F G Nealon (formerly non-executive Chairman), Ms M J Sturgess (formerly non-executive director) and Mr K S Huntly (formerly non-executive director) resigned from their positions on the Board. They will all remain closely involved with the Company in a consulting capacity.

Other than the above re-organisation, there were no other changes of the key management personnel after the reporting date and the date the financial report was authorised for issue.

(b) Key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly during the year:

Name	*Position*
M J Langoulant	Company Secretary
R A Jarvis	Group Financial Controller
M L Burchnall	Manager - Strategic Development
J Meyer	Managing Director, Sylvania Metals (Pty) Ltd and Sylvania Minerals (Pty) Ltd
Z Marinkovic	Director, Sylvania Metals (Pty) Limited
C De Vos	Internal Legal Advisor
P R Carter	Managing Director, Sylvania Mining (Pty) Ltd

Note 23: Key management personnel disclosures (continued)

(c) Key management personnel compensation

	Consolidated		Parent entity	
	2007 $	2006 $	**2007 $**	2006 $
Short-term	**2,231,329**	810,594	**1,043,622**	679,597
Post employment	**29,971**	22,600	**29,971**	22,600
Share-based payments	**770,063**	284,333	**289,534**	222,681
	3,031,363	1,117,527	**1,363,127**	924,878

The Company has taken advantage of the relief provided by ASIC Class Order 06/50 and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in sections A-D of the remuneration report.

(d) Compensation options: Granted under the Employee Option Plan

Options provided 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

2007 Name	Shares issued No.	Paid per share (note 16) $	Unpaid per share $
Z Marinkovic	200,000	$0.75	-

No shares were issued on exercise of Compensation Options during the year ended 30 June 2006.

Note 23: Key management personnel disclosures (continued)

(g) Option holdings of Key Management Personnel (Consolidated)

2007 Name	Balance at the start of the year	Granted during the year	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Director						
T M McConnachie	500,000	-	-	-	500,000	250,000
Dr A P Ruiters	-	-	-	-	-	-
L M Carroll	-	200,000	-	-	200,000	-
K S Huntley	250,000	-	-	-	250,000	125,000
Other key management personnel						
J Meyer	-	200,000	-	-	200,000	-
Z Marinkovic *	-	200,000	(200,000)	-	-	-
C De Vos	-	200,000	-	-	200,000	-
P R Carter	-	200,000	-	-	200,000	-

* refer to note 23(f)

2006 Name	Balance at the start of the year	Granted during the year	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Director						
T M McConnachie	-	500,000	-	-	500,000	-
K S Huntley	-	250,000	-	-	250,000	-

(h) Shareholdings 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

2007 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				
R D Rossiter	32,000	-	-	32,000
Dr E Kirby	764,300	-	-	764,300
E F G Nealon	750,000	-	-	750,000
G M Button	1,250,000	-	(500,000)	750,000
M J Sturgess	815,000	-	(62,400)	752,600
K S Huntly	-	-	-	-
Key management personnel				
M J Langoulant	350,000	-	-	350,000
R A Jarvis	-	200,000	-	200,000
M L Burchnall	-	100,000	-	100,000

Note 23: Key management personnel disclosures (continued)

(h) Shareholdings of Key Management Personnel (Consolidated)

2006 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				
E F G Nealon	-	750,000	-	750,000
G M Button	500,000	750,000	-	1,250,000
Dr E Kirby	14,300	750,000	-	764,300
M J Sturgess	65,000	750,000	-	815,000
K S Huntly	-	-	-	-
Key management personnel				
M J Langoulant	100,000	250,000	-	350,000

All equity transactions with key management personnel other than those arising under the Group's Incentive Option Plan (Note 23(d)) and Incentive Share Plan (Note 23(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.

Note 24: Related party disclosure

The consolidated financial statements include the financial statements of Sylvania Resources Limited and the controlled entity listed in the following table:

Name of entity	**Country of incorporation**	**Class of shares**	**Equity holding**	
			2007 %	2006 %
Sylvania Holdings Limited	Mauritius	Ordinary	**100**	-
Twinloop Nominees Pty Ltd	Australia	Ordinary	**100**	100
Sylvania South Africa (Pty) Ltd	South Africa	Ordinary	**100**	100
Sylvania Metals (Pty) Ltd	South Africa	Ordinary	**100**	100
Sylvania Minerals (Pty) Ltd	South Africa	Ordinary	**100**	100
Sylvania Mining (Pty) Ltd	South Africa	Ordinary	**100**	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 loans advanced by Sylvania Resources Limited.

Related parties

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

	Consolidated		Parent entity	
	2007 $	2006 $	**2007 $**	2006 $
Magnum Gold NL	**-**	114,731	-	57,347
Tameka Shelf Company Four Pty Ltd (refer note 6(d))	**(1,281,921)**	-	-	-
Dannyland Limited	**5,951**	-	-	-
Alumicor Maritzburg (Pty) Ltd	**5,004**	-	-	-

Note 24: Related party disclosure (continued)

Joint venture in which the entity is a venturer
The Group has a 25% interest in the assets, liabilities and output of an un-incorporated joint venture, CTRP, which operates a chrome tailings re-treatment plant at Kroondal in South Africa (2006: 25%).

Terms and conditions of transactions with related parties
Sales to and purchases from 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.

Note 25: Reconciliation of profit after income tax to net cash outflow from operating activities

	Consolidated		Parent entity	
	2007 $	2006 $	**2007 $**	2006 $
a) Reconciliation of loss from ordinary activities after income tax to net cash outflow from operating activities				
Loss from ordinary activities after income tax	**(11,116,675)**	(8,981,807)	**(12,166,307)**	(9,855,882)
Administration fee charged to controlled entities	**-**	-	**(984,569)**	(177,672)
Equity accounted net profit from joint venture	**(1,649,511)**	(1,148,649)	**-**	-
Joint venture cash distribution	**1,534,253**	155,390	**-**	-
Project generation costs	**5,546,000**	7,200,000	**5,546,000**	7,200,000
Depreciation	**405,645**	5,633	**12,155**	2,673
Non-cash employee benefits expense –				
share-based payments	**795,177**	325,441	**795,177**	325,441
Net exchange differences	**2,657,846**	(135,209)	**2,654,795**	(135,209)
Net (gain) / loss on sale of				
available-for-sale financial assets	**(291,098)**	543	**(291,098)**	543
Capital (gain) on sale of non-current assets	**(299,915)**	-	**85**	-
Diminution in value of loans	**-**	-	**(360,424)**	-
Impairment of loan to controlled entity	**-**	-	**2,451,453**	706,693
Mining tenement expenditure written off	**-**	251,855	**-**	-
(Increase) / decrease in trade and other debtors	**(687,065)**	(187,170)	**(9,726)**	(14,339)
(Increase) / decrease in deferred tax asset	**(351,892)**	(158,129)	**-**	-
Increase / (decrease) in trade creditors	**301,901**	324,346	**(19,880)**	142,253
Net cash outflow from operating activities	**(3,155,334)**	(2,347,756)	**(2,372,339)**	(1,805,499)

b) Non-cash financing and investing activities

During the 2007 financial year 5,275,000 and 1,825,000 shares in the Company were issued at a deemed issue price of $0.50 and $0.90 respectively for services rendered in securing opportunities to participate in eligible projects involving the re-treatment of Samancor's tailings for the extraction of chrome at Samancor's tailing dumps at its Western and Eastern Chrome mines.

Directors' declaration

1. In the opinion of the directors:

    a. the financial statements and notes of the Company and of the consolidated entity are in accordance with the Corporations Act 2001 including:

        i. giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year then ended; and

        ii. complying with Accounting Standards and Corporations Regulations 2001; and

    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.

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 2007.

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

T M McConnachie
Chief Executive Officer

Johannesburg, South Africa
4 September 2007

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of
SYLVANIA RESOURCES LIMITED

We have audited the accompanying financial report of Sylvania Resources Limited ("the company"), which comprises the balance sheet as at 30 June 2007, the income statement, statement of changes in equity, cash flow statement and notes to the financial statements for the year then ended and the directors' declaration for both the company and the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the end of the financial year or from time to time during the financial year.

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 state that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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 controls relevant to the entity'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 entity's internal controls. 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 opinion.

HLB Mann Judd (WA Partnership)
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Partners: Ian H Barsden, Terry M Blenkinsop, Litsa Christodulou, Wayne M Clark, Lucio Di Giallonardo, Colin D Emmott, Trevor G Hoddy, Norman G Neill, Peter J Speechley

HLB Mann Judd (WA Partnership) is a member of HLB International and the HLB Mann Judd National Association of independent accounting firms

Independent auditor's report

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Sylvania Resources Limited and included in the Directors' Report, would be on the same terms if provided to the directors as at the date of this auditor's report.

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 company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year then ended; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1 (c); and

(c) the remuneration disclosures that are contained in the directors' report comply with Accounting Standard AASB 124.

HLB Mann Judd.

HLB MANN JUDD
Chartered Accountants

W M CLARK
Partner

Perth, Western Australia
4 September 2007

Additional information
for Listed Public Companies

The shareholder information set out below was applicable as at 31 August 2007.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

			Class of equity security Ordinary shares
1	-	1,000	82
1,001	-	5,000	206
5,001	-	10,000	115
10,001	-	100,000	160
100,001	and over		46
			609

There were 5 holders of less than a marketable parcel of ordinary shares.

B. Equity security holders

Twenty largest quoted equity security holders – ordinary shares

	Ordinary shares	
Name	**No. held**	**% of issued shares**
Computershare Clearing Pty Ltd	116,880,392	66.35
ANZ Nominees Limited	12,237,550	6.95
HSBC Custody Nominees (Australia) Limited	11,240,362	6.38
National Nominees Limited	5,417,889	3.08
Citicorp Nominees Pty Limited	5,015,863	2.85
Mellon Nominees (UK) Ltd	2,447,500	1.39
HSBC Custody Nominees (Australia) Limited	1,098,717	0.62
Feta Nominees Pty Limited	1,052,882	0.6
Mr Christopher Robert Rogerson	875,000	0.5
HSBC Custody Limited	792,308	0.45
Mr Grant Button	750,000	0.43
Mr Evan Kirby	750,000	0.43
Mr Ed Nealon	750,000	0.43
M/S Melissa Sturgess	750,000	0.43
UOB Kay Hian (Hong Kong) Limited	725,000	0.41
JP Morgan Nominees Australia Limited	518,592	0.29
Mr Adrian Paul	500,000	0.28
Mrs Tracy Andrea Howell	488,500	0.28
Flue Holdings Pty Ltd	433,550	0.25
Citicorp Nominees Pty Limited	408,710	0.23
	163,132,815	92.63

Additional information
for Listed Public Companies

C. Substantial shareholders

Substantial shareholders in the Company are set out below:

Ordinary shares	**Number Held**	**Percentage**
FMR Corp and FIL	17,404,525	11.38
JP Morgan Chase & Co	13,988,300	7.95

D. Voting rights

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

(a) 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. Tenement schedule

Project	**Tenement details**	**% Held**
Everest North	Mineral Area 2 on farm Vygenhoek	
	No 10 JT measuring 180 hectares	Right to acquire 100%

Notes

Notes

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