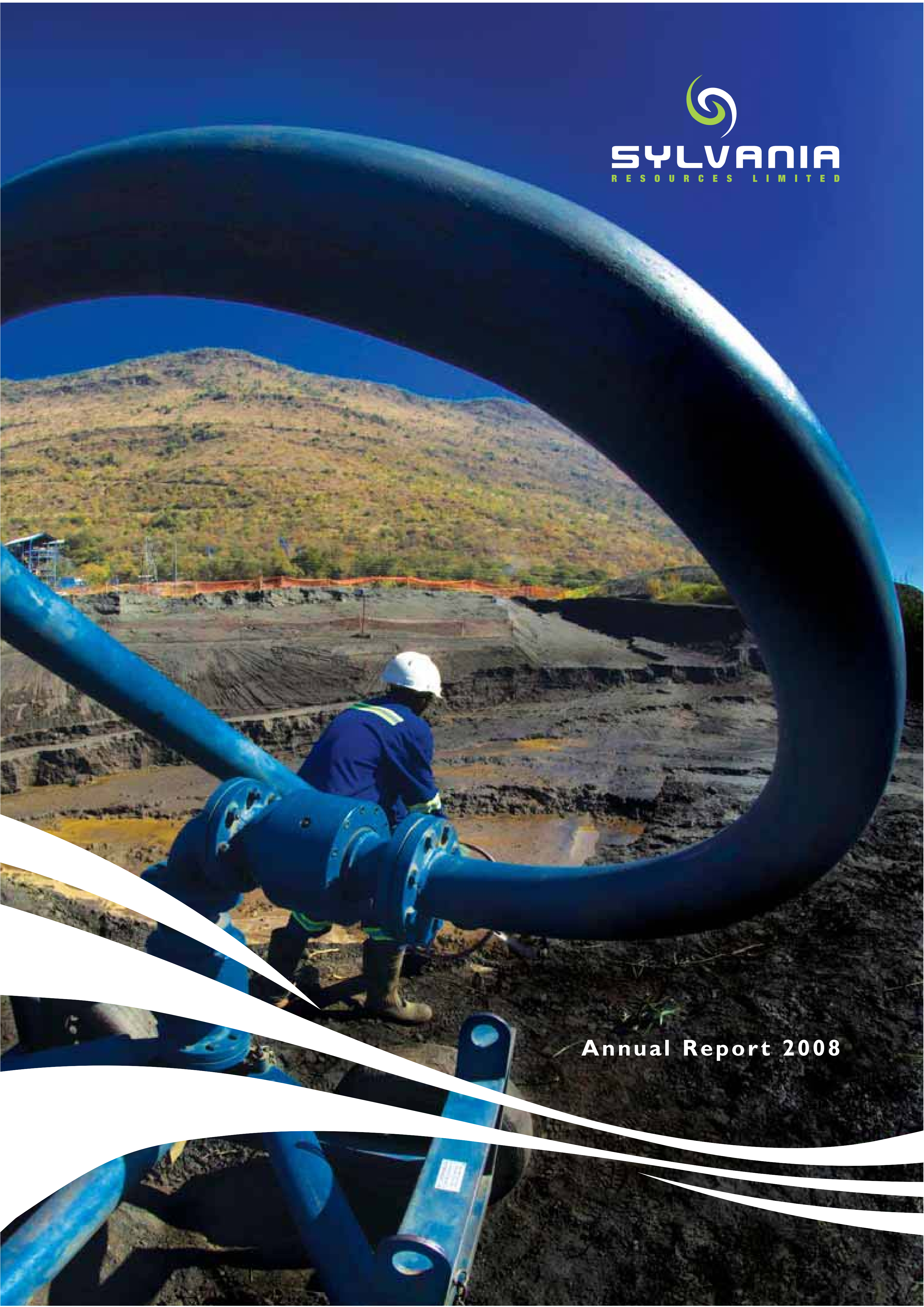


SYLVANIA
RESOURCES LIMITED

Annual Report 2008

Corporate directory

Directors

T M McConnachie	Managing Director
R D Rossiter	Non-executive Chairman
L M Carroll	Financial Director
Dr A P Ruiters	Non-executive Director
J Cooke	Non-executive Director

Company Secretary

M J Langoulant

Principal registered office in Australia

Suite 2, 5 Ord Street • West Perth, Western Australia, 6005 • Australia
Telephone: (08) 9324 2955
Facsimile: (08) 9324 2977

Registrar

Computershare Investor Services Pty Limited • Reserve Bank Building • Level 2, 45 St George's Terrace
Perth, Western Australia, 6000 • Australia

Auditors

HLB Mann Judd • Chartered Accountants • 15 Rheola Street • West Perth, Western Australia, 6005 • Australia

Solicitors

Clayton Utz • QV1, 250 St George's 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)

Website address

www.sylvaniaresources.com

Contents

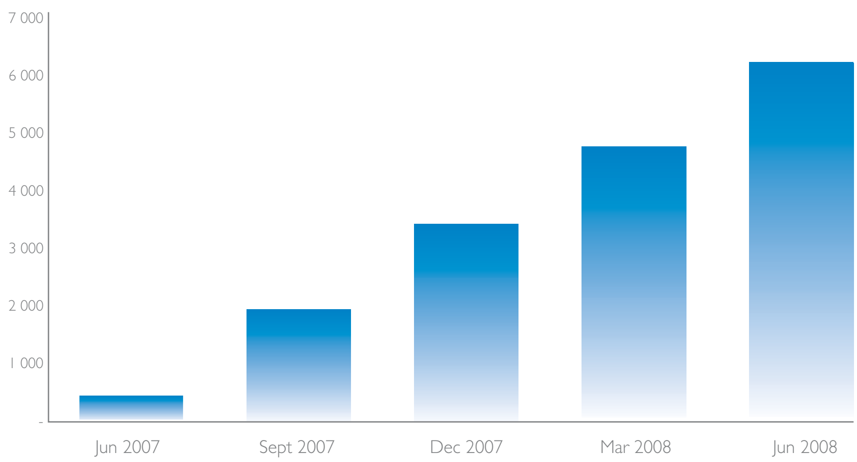
Vision

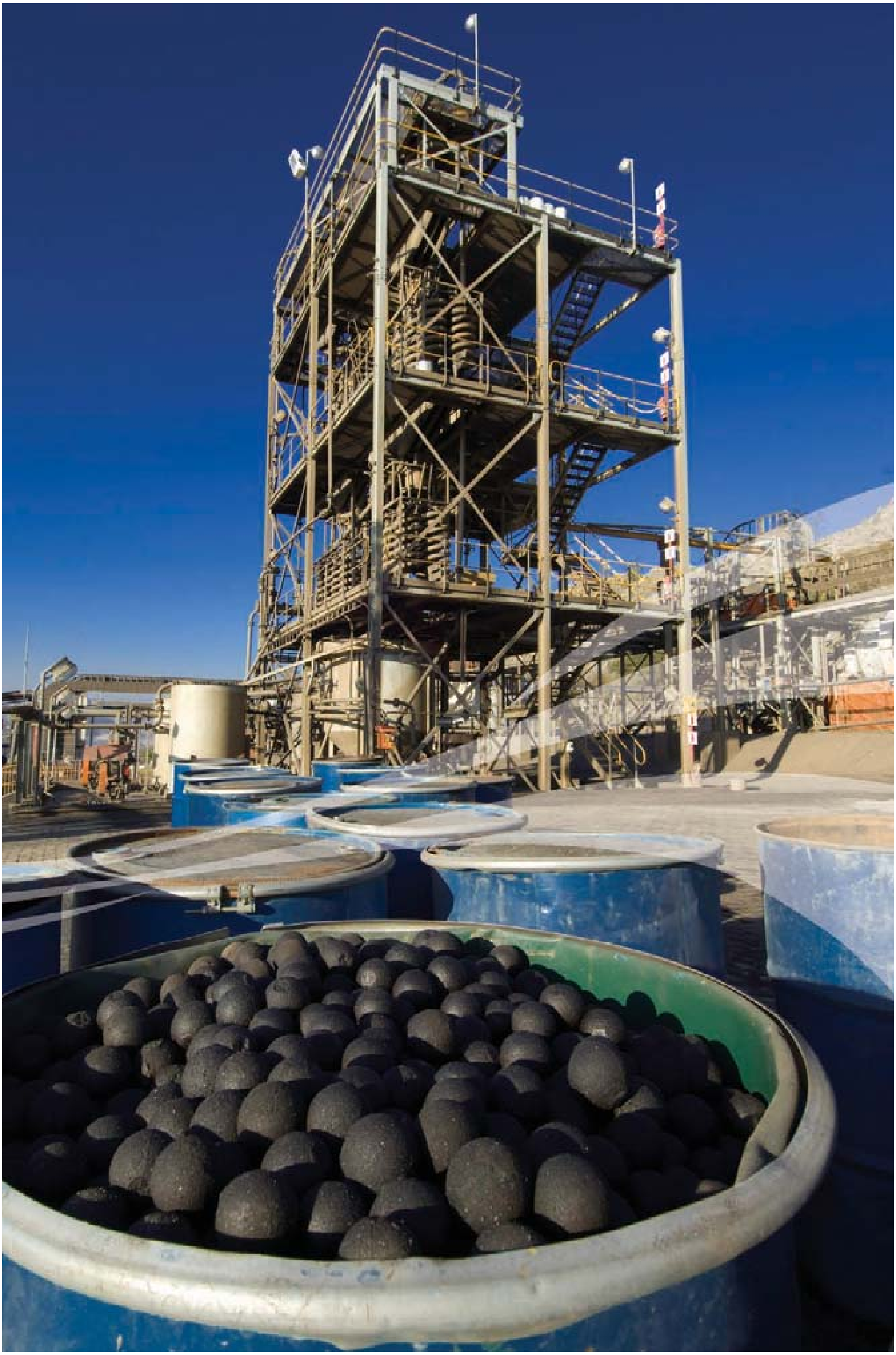
Sylvania's vision is to become the pre-eminent, South African mid-tier PGM producer as measured by its stakeholders, using its metallurgical and engineering expertise to acquire and develop low-risk tailings and shallow mining assets.

Highlights

- PGM production reaches 16,690oz (3E+Au)
  - reflects successful ramp-up at Millsell and Steelpoort plants;
- Sylvania Dump Operations (SDO) produces 14,224oz, 85% of total production
  - Feed grade averages 2.26g/t
  - Recovery rate is 40%
- Low cost PGM producer
  - Average site cash cost of A$408/oz
- Underlying earnings before interest and tax (EBIT) totals A$14.3million
- Net profit after tax and minority interest totals A$9.9million
- Well placed for further growth
  - strong cash balance of A$43.6million
  - good prospects for further surface resources
  - near-surface exploration pipeline

Sylvania Resources -
Quarterly production of 3E+Au (ounces)





Corporate profile

Sylvania Resources Limited is a fast-growing platinum group metals (PGMs) producer with tailings retreatment operations and shallow mining exploration interests located in South Africa's PGM-rich Bushveld Igneous Complex.

Well-resourced in respect of both metallurgical and engineering expertise, the company's medium-term focus on surface tailings retreatment and shallow mining in the longer term, positions it strongly as a low-risk, low-cost and high-margin PGM producer compared with its underground peers.

Sylvania's tailings retreatment business has:

- a 74% interest in Sylvania Dump Operations (SDO), which, in terms of a service and supply agreement with Samancor Chrome (Pty) Limited (Samancor Chrome), treats chrome tailings from Samancor Chrome's mines on the Western and Eastern Limbs of the Bushveld Igneous Complex to recover PGMs;
- a 25% interest in the Chrome Tailings Retreatment Project (CTRP) at Kroondal on the Western Limb, managed by Aquarius Platinum Limited, which treats the Xstrata and Beyer chrome tailings to recover PGMs.

To service Sylvania's Samancor Chrome agreement, two plants – Millsell and Steelpoort – became fully operational during the 2007-2008 financial year. Process improvement projects at both plants, involving the addition of bead mills and extra cleaner flotation cells, are under way.

Construction of two additional plants, Lannex and Mooinooi, is under way, with commissioning and ramp-up of production at both scheduled to begin in the first quarter of 2009. In terms of an addendum to the Samancor Chrome agreement, a right has been secured to treat an estimated annual 300,000t of run of mine (ROM) from Samancor Chrome's Broken Hill, Spitzkop and Buffelsfontein East chrome mines to win PGMs. ROM from Broken Hill and Spitzkop will report to the Lannex plant for treatment and those from Buffelsfontein East to the Mooinooi plant.

Sylvania's near-surface mining exploration interests comprise:

- The Everest North UG2 exploration project on the eastern limb, which has a measured resource of 5.1Mt at 4.7g/t. In terms of an agreement, notice has been served on Aquarius Platinum (South Africa) (Pty) Ltd (AQPSA) that the project is viable and Sylvania intends to mine the property. At the same time, discussions are progressing with Eastern Platinum Limited for a possible joint venture in respect of Vygenhoek and Mareesburg;
- The Harriet's Wish, Cracouw and Aurora exploration project is situated on the Northern Limb of the Bushveld Igneous Complex. The company is reviewing its options and an announcement will be made in due course;
- A stake in ASX-listed Great Australian Resources Limited (GAR), which has the near-surface Merensky Reef platinum/nickel exploration project, Mooiplats.

Long-term Environmental Benefits

The nature of Sylvania's business makes it less dependent on, and demanding of, scarce national resources, such as power and water. In addition, its deposition of retreated tailings is to the highest and most modern standards, with consequent long-term benefits for the environment.

The company is committed to the spirit and intent of South Africa's Mining Charter. Its chosen black economic empowerment (BEE) partner, Ehlobo Metals (Pty) Limited, headed by former South African Director-General of the Department of Trade and Industry, Alistair Ruiters, owns 26% of the Sylvania Dump Operations.

Sylvania is listed on the Australian Securities Exchange Limited (ASX: SLV) and was recently admitted to the S&P/ASX300 Index. It is also listed on the AIM Market of the London Stock Exchange (AIM: SLV).

The company has some 180,012,273 shares on issue and numbers amongst its top shareholders Audley Capital, JP Morgan, Credit Suisse, Henderson Global and JO Hambro.

Operations and projects

Review by the Chairman and Managing Director

Overview

We are very pleased to be able to reflect on an outstanding year that has seen your company make enormous strides towards fulfilment of its objective to become a fast-growing, low-risk, high-margin, cash-generative producer of PGMs from surface and near-surface sources at the world's premier PGM address, South Africa's Bushveld Igneous Complex. During the year, two plants within our newly created Sylvania Dump Operations Division (SDO) – Millsell and Steelpoort – became fully operational and construction of two others – Lannex and Mooinooi – got under way.

Safety, health and the environment

Concurrently with production ramp-up at Millsell and Steelpoort and the start of construction at Lannex and Mooinooi, we have paid considerable attention to safety, health and environmental (SHE) management.

A focus has been appropriate training in these critical areas for a new workforce, all of whom are new to the Company, indeed many of whom are new to the mining environment. While accidents have been few and far between and in the lowest quartile of the industry, SDO's Lost Time Injury Frequency Rate (LTIFR) averaged 3.37 for the year under review. A LTIFR of less than 0.50 has been set as a short-term target. The Disabling Injury Frequency Rate (DIFR) for the year was nil and the Lost Time Injury Frequency Rate was 1.00. Three environmental incidents were recorded, all were of a minor nature requiring minimal remediation.

The Chromite Tailings Retreatment Plant – 25% owned by Sylvania and operated by AQPSA – recorded a DIFR of 5.62 for the year, due to the first injury since operations began.

In terms of the environment, in pursuing our core business of tailings retreatment, we are destined to make a positive, permanent environmental impact of major proportion in the longer term, particularly in respect of air quality and water utilisation. Of the total waste material recovered and re-treated from old, de-commissioned tailings dumps, 30% is removed permanently as chromite and PGM product. The remaining 70% waste is re-deposited in new tailings dumps, constructed, managed and rehabilitated to the highest modern standards, with strict adherence to all regulatory requirements.

During the year, an independent audit of rehabilitation funding for SDO's current operations was conducted. This indicated a current total obligation of A$355,158 and that this amount is currently fully funded.

Markets

In the year under review, markets for our PGM products – platinum (58% of total production), palladium (27%) and rhodium (15%) – were firm, resulting in an average basket price received of US$2,626/oz.

Uncertainty regarding future Southern African PGM supplies persisted for much of Sylvania's financial year, fuelled particularly in the second half by speculation on the possible negative impact on South African producers of continuing electricity restrictions imposed by power utility Eskom.

Some volatility in the PGM markets has been experienced post our financial year-end due generally to tougher economic conditions in key western markets, and more specifically to lower automotive and jewellery consumption in

Richard Rossiter
Non-Executive Chairman

these markets. However, we believe the fundamentals for PGMs are likely to remain strong due to increasing automotive and industrial consumption particularly in emerging markets and continuing lower-than-anticipated supplies from South Africa.

Financial and operating performance

Sylvania had an outstanding year, delivering on its objectives and establishing itself as a highly profitable PGM producer in South Africa. The commissioning and ramp-up of the first two tailings retreatment facilities (Millsell and Steelpoort) exceeded expectations and yielded profits within the first month of start up. Significant progress was also achieved with the ongoing construction of our next two tailings retreatment facilities (Lannex and Mooinooi), the feasibility study for the hard rock mine Everest North and growing our exploration portfolio.

Our underlying earnings before interest and tax (EBIT) rose significantly to A$14.3million, as did our net operating cash flows (A$11.9million) and net profit after tax and minority interest (A$9.9million), reflecting the ramp up in PGM production and strong PGM market conditions. Our low costs, high operating margins, strong cash flows and balance sheet (A$43.6million cash at 30 June 2008) underpin our ability to fund our future growth and pursue other options as they may arise.

Total PGM production for the year totalled 16,690oz (3E+Au), reflecting the successful commissioning and ramp up of the Millsell and Steelpoort plants.

Terry McConnachie
Managing Director

Revenue totalled A$32.8million. Attributable pre-tax profit totalled A$17.0million after accounting for a negative exchange rate variance of A$4.6million and a reduction of A$2.6million in the value of the company's equity investments to take account of the general downturn in international markets.

Sylvania Dump Operations

In its inaugural year, SDO – comprising the Millsell and Steelpoort plants – produced 14,224oz, 85% of Sylvania's total production for the year, from total plant throughput of 507,262t. Reflective of progress made towards full operation at both plants during the year, the average head grade for the year was 2.26 grams per ton (g/t) and recovery was 40%. A robust average basket price for our products of US$2,626/oz and effective cash cost reduction – the average site cash cost for the year was A$408/oz – contributed to a gross cash margin for the year of 65%.

The first slurry was processed at the Millsell plant during June 2007. Commissioning progressed well and the plant's first PGM concentrate was sold during July 2007. Capital expenditure on Millsell totalled A$7.1million.

Construction of the integrated chrome washing and PGM recovery plant at Steelpoort was completed early in the year under review at a cost of A$6.5million. Commissioning took one month and the first PGM concentrate was sold in September 2007.

A range of process improvement projects at Millsell and Steelpoort is nearing completion at a capital cost of A$4.0million. An extra cleaner flotation cell installed at Millsell is delivering the expected process improvements and commissioning of a similar installation at Steelpoort is almost concluded. Bead mills at both plants, held up by late delivery of components, became operational during October 2008.

Review by the Chairman and Managing Director (continued)

It is pleasing to note that, due to Sylvania's generally lower-risk profile, the surface retreatment operations remained virtually immune to 'load-shedding' power outages by State utility Eskom during the year, and to growing skills shortages and stricter imposition of penalties for safety infringements experienced by the South African resources sector as a whole.

During the year, an addendum to the Services and Supply Agreement with Samancor Chrome was signed, in terms of which additional rights were secured to treat all ROM from Samancor Chrome's Broken Hill, Spitzkop and Buffelsfontein East mines for the life of those mines.

Construction is in progress on two new SDO plants, Lannex and Mooinooi. Commissioning and the start of production ramp-up at both are scheduled for the first quarter of calendar 2009. The A$18.4million Lannex PGM plant feed will be 23,000tpm from a feed consisting of tailings, current arisings and ROM from Samancor Chrome's Broken Hill and Spitzkop mining operations.

Following a capital construction project planning review during the fourth quarter, it was decided to postpone the construction of the Elandsdrift chrome feed plant originally intended to treat Elandsdrift chrome tailings, pending the outcome of an environmental impact assessment of an opencast mining operation based on the M1 surface outcrops at the Elandsdrift mine. In this way, the economy of scale of processing both dump and opencast material can be achieved by increasing feed to the plant.

The chrome concentrator plant at the Mooinooi mine purchased from Samancor Chrome in February 2008 is being expanded and upgraded at a cost of A$13.2million to create a plant equal in size and of similar modular design to the Lannex plant. The Mooinooi plant will treat those chrome tailings for which rights have been secured as well as ROM feed from its Buffelsfontein East section. Negotiations are under way with Lonmin to acquire additional feed. PGM plant feed is planned to be 21,000tpm.

Synergies with the Lannex plant suggest that the Mooinooi plant can be fast-tracked. Delaying the Elandsdrift plant in favour of the larger Mooinooi plant is expected to result in a faster build-up in SDO production than initially planned. Should an opencast mining operation at Elandsdrift prove to be unviable, and plans for the Elandsdrift plant abandoned as a consequence, the Elandsdrift tailings will be transported to the Mooinooi plant for treatment.

Towards year-end, a further off-take agreement was finalised. In terms of this, concentrate from the Steelpoort and Lannex plants will be delivered to the smelter, together with concentrate produced from the Tweefontein tailings.

Chromite Tailings Retreatment Plant (CTRP)

CTRP's production for the year increased by 33% to 9,849oz (2,466oz attributable to Sylvania). While total plant throughput rose by 51% to 274,000t and the average head grade was steady at 4.2g/t, recoveries declined by 4% to 27%.

Revenue more than doubled to A$20.1million (A$5.0million attributable to Sylvania), reflecting higher production and an average PGM basket price 31% higher at US$2,224/oz. Cash operating costs increased by 12% to A$353/oz, and the cash margin rose to 83% from 77%.

Growth

Our strategy is to build strong cash generative businesses that can fund our future growth in the PGM sector. We continue to expand our existing low risk chrome tailings retreatment business while accelerating our move into shallow mining projects. During the year we expanded our base case PGM production forecast by around 30-40% through a combination of improved metallurgical recoveries and additional agreements, with Samancor Chrome, to treat ROM for PGMs. Importantly, we have further strengthened our strategic relationship and agreements with Samancor Chrome during the year.

On the exploration front, we continued to progress our Everest North project and expand our portfolio via strategic acquisitions. In addition, we continue to assess merger and acquisition opportunities in the Bushveld Igneous Complex and elsewhere as industry consolidation gathers pace. We remain encouraged by the range of high-growth opportunities in the pipeline.

Everest North

Discussions are continuing with AQPSA on options for an equitable joint venture in respect of the Everest North project. If agreement cannot be reached in the short term however, Sylvania will proceed independently with plans to develop an opencast PGM mine at Everest North, in accordance with its binding contract with AQPSA. Work preparatory to an application to the Department of Minerals and Energy for a mining right has been substantially completed.

Sylvania and Eastern Platinum are continuing meantime with negotiations on an Everest North joint venture based on combining the former's Vygenhoek farm and the latter's contiguous Mareesburg farm.

Exploration

During the year, Sylvania acquired an interest in Great Australian Resources Limited (GAR), a company listed on the Australian Stock Exchange.

Review by the Chairman and Managing Director (continued)

GAR has the near-surface Merensky Reef platinum/nickel exploration project, Mooiplats, on the Eastern Limb of the Bushveld Igneous Complex.

Also during the year, Sylvania acquired the Northern Limb near-surface prospects, Harriet's Wish, Cracouw and Aurora from Rustenburg Platinum Mines Limited (RPM), a subsidiary of Anglo Platinum Limited. Sylvania is currently considering its options regarding these prospects, which contains PGMs with associated base metals.

Corporate matters

A significant development during the year was a restructuring of Sylvania's executive management structure to achieve better focus on the company's core business activities and delivery on growth objectives. The finance and administration team has been suitably strengthened with qualified and experienced people.

We have spent some time in devising attractive remuneration and incentive schemes to ensure we attract and retain the qualified and experienced people we need to continue our growth trajectory into the future. Corporate communications have been a further focus of attention with the appointment of Russell and Associates to improve investor relations in particular, and it is pleasing to report that four institutions were publishing research on the company by year-end.

Board changes

There have been a number of board changes. Early in the year, Richard Rossiter joined as Non-Executive Chairman, Louis Carroll as Financial Director and Dr Alistair Ruiters as a Non-executive Director. After year-end, John Cooke was appointed as a Non-Executive Director and Chairman of the Audit Committee. These changes have ensured that the company is ASX compliant. Ed Nealon, Melissa Sturgess and Dr Evan Kirby resigned from the board but continue to provide consulting services to the company.

Acknowledgements

We are grateful to fellow board members past and present, to executive management and to employees who have contributed towards Sylvania's exciting yet very demanding development and growth achievements during the year. Whilst plant construction, commissioning and fine-tuning have been a major focus, much energy and expertise has been given to identifying and pursuing growth opportunities, honing the company's financial and reporting systems, health, safety and environmental management procedures, corporate governance structures and customer and investor relations.

Looking ahead

In the short term we remain focused on delivering our next two tailings retreatment plants – Lannex and Mooinooi – by early 2009. We expect SDO production to stabilise at around 6,500oz for the first two quarters of the new financial year and then to start rising again as the two new plants are commissioned and their ramp-up gets under way. We believe we are firmly on track to attain our stated production goal of 70,000 PGMoz (3E+Au) by 2010. In the medium to longer term, we are committed to deploying our healthy cashflows into value-adding projects – both surface and near-surface – that will ensure the company's continued growth well into the future. We are confident that – notwithstanding price volatility in the PGM market at the time of writing – the fundamental outlook for our basket of products remains strong, and will continue to support our self-funding growth objectives.

T M McConnachie
Managing Director

Richard Rossiter
Non-executive Chairman

Resource base

Tailings dump estimates				
		Tonnes		4E Grade (g/t)
	Dump estimated ore	Processed	Balance	
Eastern Bushveld				
Tweefontein	909,120	–	909,120	4.6
Lannex	1,222,590	–	1,222,590	3.0
Steelpoort	341,789	115,740	226,049	2.6
Doornbosch	83,256	–	83,256	9.1
Montrose	165,150	–	165,150	4.8
Groothoek	157,990	–	157,990	5.1
Onverwacht	12,215	–	12,215	9.4
Mooihoek	7,776	–	7,776	5.0
Western Bushveld				
Waterkloof	248,065	–	248,065	1.1
Buffelsfontein	165,721	–	165,721	1.1
Elandsdrift Total	316,265	–	316,265	2.0
Millsell Total	973,100	310,316	662,784	2.0
Mooinooi*	1,593,000	–	1,593,000	1.2
Total	**6,196,037**	**426,056**	**5,769,981**	

* Subject to final negotiations on terms and price with interested parties.

Key management personnel

Zoran Marinkovic – Director of Sylvania Metals (Pty) Ltd
BSc (Chem Eng), University of Belgrade

Zoran Marinkovic, who is from Serbia (formerly Yugoslavia), has worked in a number of industries, including the petrochemical, shipping and mining sectors in Europe. Among the senior positions he has held are those of site director and special adviser for Mostec Limited, where he was based at a shipyard in the Ukraine; production director at the High Density PolyEthylene Plant (HDPE) at the Petrochemical Complex of Pancevo in Yugoslavia; and, most recently, co-owner and director of ABM International Limited, a Belgrade-based company trading in chrome and other metals on the European and Russian markets as well as undertaking research and consulting in the area of chromium waste and tailings.

Since January 2006, Zoran has been responsible for developing and controlling chromium and PGM projects in terms of Sylvania's contract with Samancor Chrome. He is currently working on extending the existing contract with new projects that will expand Sylvania's supply of PGM base material.

Phil Carter – General Manager: Capital Projects
BSc (Mining Eng), University of the Witwatersrand

Phil Carter, who holds a Mine Manager's Certificate of Competency, has been in the mining industry for 30 years. At different stages of his career he has worked for De Beers, AngloGold and SA Chrome and he has experience at a senior management level in diamond, deep-level gold and chrome mines. His particular field of expertise is in mine and project management. At SA Chrome, he started the Horizon Chrome mine as a greenfields project and was responsible for the design, construction and management of the chrome concentrator plant, as well as the opencast and underground mines. The project was completed to full production in 18 months.

At Sylvania, Phil is heading up the development of the Everest North mine project and the Capital Construction expansion programme.

Gerbrand Haasbroek – General Manager: Operations
BEng (Metallurgy) Hons, University of Pretoria

Gerbrand Haasbroek has broad experience across the mining industry in the fields of coal, iron ore, vanadium, magnesite and aluminium. He has also been involved in the manufacturing of products in the clay, ceramic, enamel and plastics sectors as well as parts for the steel industry. During his career he has held the positions of production manager, production director and operating director. At one stage he managed up to three factories at the same time. Most recently he was managing director of his own consulting company, Metsult (Pty) Ltd.

Gerbrand's achievements include turning around an aluminium casthouse from 100,000 to 200,000 tonnes a year while reducing costs to reach world benchmark figures; turning around a ceramics/plastics company which consistently delivered a return on investment of 40%; and developing world-class, high-purity vanadium chemicals.

Johan Meyer – General Manager: Business Development
BEng (Mech) (Hons), University of Stellenbosch; GDE (Indus Eng), University of Witwatersrand

Johan Meyer started his career in the mining industry as a project engineer, working first for Rio Tinto and afterwards for Anglo American and Gold Fields.

He then moved into the manufacturing industry where he held several senior management positions. He has extensive knowledge of business start-up as he was a key member of the team that led an aluminium company through an expansion in which the business quadrupled in size. During this period, he acquired a sound understanding of base metals and metals trading as it relates to the London Metal Exchange.

After joining Sylvania, Johan designed and constructed the first two plants which are now operating at design capacity. Currently, he is heading growth projects for the group, focusing on the re-treatment of chrome and platinum. He is also responsible for all commercial aspects of the business.

Christo de Vos – Internal Legal Adviser
BComm, University of the Free State; LLB, Unisa

Christo De Vos is admitted as an attorney, notary and conveyancer in South Africa. He was a senior partner at Wessels & Smith, a law firm in Welkom, South Africa for 28 years, specialising in commercial and mining law, trust law, estate planning and tax law, before being appointed by Sylvania Resources Limited as legal and commercial executive adviser.

Christo has vast experience in black empowerment transactions, and acts as a trustee for several black empowerment trusts and employee incentive schemes.

Dr Peter Cox – Strategic Planner

BSc (Mining Eng) University of the Witwatersrand; MSc, PhD (Mining Eng) Harrington; Dip (Civil Eng), University of Natal

Dr Peter Cox started his career in the mining industry 30 years ago as a learner surveyor. After studying mining engineering as a JCI bursar, he worked for that company in various positions at gold and platinum mines, ending as a senior section manager. Peter joined a privately owned mining and exploration company, Severin Southern Sphere Mining, as consulting engineer and general manager. Since mid-1991 he has been the managing director of Goldline Global Consulting (Pty) Ltd, an engineering consulting company which serves the mining industry worldwide.

Peter holds a Mine Surveyor's and a Mine Manager's Certificate of Competency. He has a number of achievements to his name, including being the youngest certificated surveyor in South African mining history and designing the country's narrow reef opencast mining method.

Esther Johnson – Financial Manager

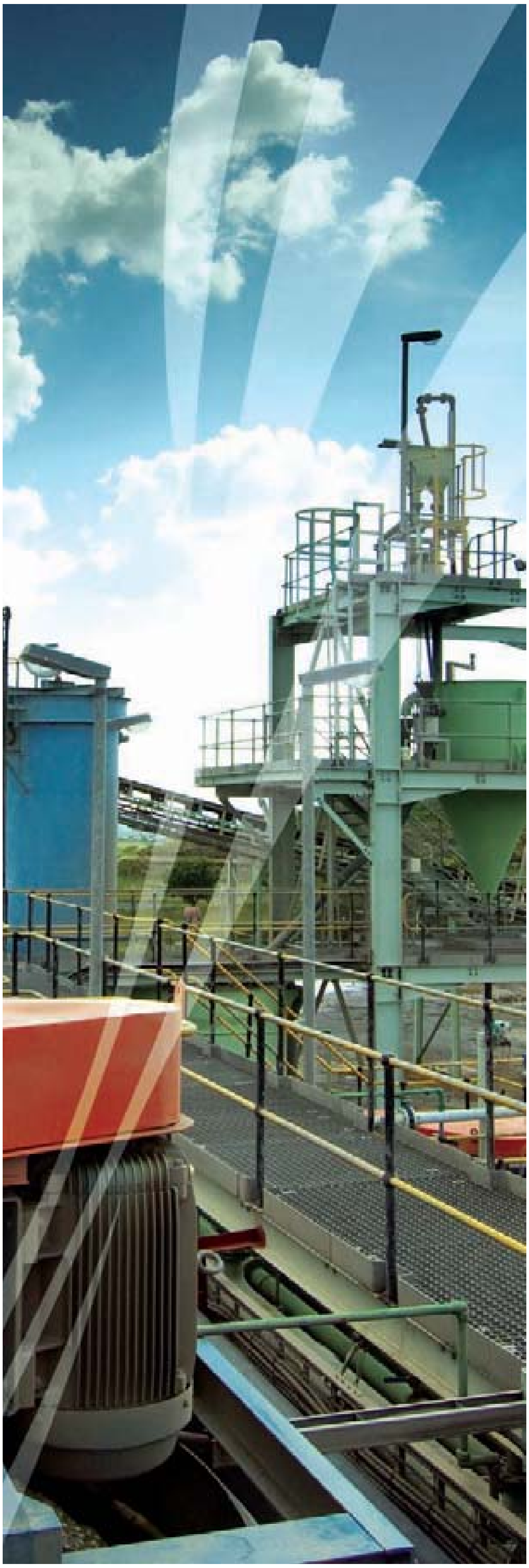
BCompt (Hons) Unisa, CA (SA)

Esther Johnson started her career in finance in 1986, and has gained experience in the research and academic, conservation, health and fast-moving consumer goods (FMCG) sectors. She was Director of Finance for Africa at Conservation International, reporting directly to the head office in Washington, before she joined The Careways Group as Chief Financial Officer. Esther was also a director of companies at the Council for Scientific and Industrial Research (CSIR), where she was involved in the commercialising of intellectual property.

Ben Kruger – Management Accountant

NHD (Cost and Management Accounting), Technikon RSA

Ben Kruger has spent 17 years in the field of cost and financial accounting, working in the mining, manufacturing, printing and services industries. His responsibilities have included general accounting, finance, project accounting and costing. While employed by De Beers and Gold Fields, he was exposed to opencast, shallow underground and deep-level mining. This experience included his involvement in a feasibility study for Gold Fields' South Deep mine. He joined Sylvania in October 2007.



Directors' report

Your directors present their report on the consolidated entity consisting of Sylvania Resources Limited and the entities it controlled at the end of or during the financial year ended 30 June 2008. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

T M McConnachie was a director of the Company during the whole of the financial year and up to the date of this report.

The following persons were appointed as directors on 15 August 2007 and all continue in office at the date of this report:

R D Rossiter
Dr A P Ruiters
L M Carroll

The following persons were directors from the beginning of the financial year until their resignation on 15 August 2007:

E F G Nealon
M J Sturgess
K S Huntly

Dr E Kirby was a director from the beginning of the financial year until his resignation on 18 August 2008.

J Cooke was appointed as a director on 18 August 2008.

Information on directors

T M McConnachie – Managing Director

Age 53

Experience and expertise

Mr McConnachie has over 25 years of experience in mining, benefication of ferroalloys and precious metals. He was the founder of Merafe Resources Limited (formerly South African Chrome & Alloys Limited), a successful chrome mining company, black empowered and listed on the Johannesburg Stock Exchange with assets worth in excess of a billion rand ($350m). 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 three years

None.

Special responsibilities

Managing Director

R Rossiter – Non-Executive Chairman

BSc (Hons) MSc – Age 51

Experience and expertise

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

Other current directorships

Morning Star Holdings (Australia) Limited

Former directorships in the last three years

None.

Special responsibilities

Chairman of the Board.

L M Carroll – Financial Director

B Com, MAP, H. Dip. Corporate Law, H. Dip. Property Management, Dip Business Management – Age 62

Experience and expertise

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

Other current directorships

None

Special responsibilities

Financial Director.

Dr A P Ruiters – Non-Executive Director

BA (Hons), PhD (D.Phil) – Age 43

Experience and expertise

Dr Ruiters was appointed in August 2007 and joined the Board as non-executive director and provides guidance on project procurement, development and funding. Dr Ruiters is one of the founders of Ehlobo 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 three years

None

Special responsibilities

Non-Executive Director with special portfolio: Transformation.

J Cooke – Non-Executive Director

FCA, ACIS – Age 64

Experience and expertise

Mr John Cooke was appointed in August 2008 and has 40 years experience in accounting, auditing, taxation and administration of public companies involved in natural resources. He continues as a Chartered Accountant in practice. He is a fellow of the Institute of Chartered Accountants in Australia and an associate of the Institute of Chartered Secretaries and Administrators.

Other current directorships

None.

Former directorships in the last three years

None

Special responsibilities

Chairman of the audit committee.

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.

Principal activities

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

Dividends

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

Review of operations

Information on the operations of the Group is set out in the review of operations and activities on pages 6 to 11 of this annual report.

Operating result for the year

The consolidated profit of the Group for the year after income tax expense and minority interest was A$9,862,186 (2007: consolidated loss A$11,116,675).

Operational highlights during the year included:

- Operations at Millsell and Steelpoort plants started during the year;
- Production from these plants was 14,224 PGM ounces;
- CTRP contribution was 2,466 PGM ounces;
- Construction of the Lannex and Mooinooi plants commenced.

Financial results:

- The average 3E+Au basket price was US$2,626/oz;
- Revenue from ordinary activities for the year rose from A$0.4million in 2007 to A$32.8million;
- The cash balance at 30 June 2008 was A$43.6million;
- Consolidated earnings per share for the year ended 30 June 2008 – 5.64 cents

Interests in shares and options

2008	Common shares	Options exercisable at A$0.50	Options exercisable at A$0.75	Options exercisable at A$2.89
T M McConnachie	–	500,000	–	–
R D Rossiter	500,000	–	–	–
L M Carroll	–	–	200,000	–
A P Ruiters	–	–	–	200,000
2007				
T M McConnachie	–	500,000	–	
R D Rossiter	32,000	–	–	
L M Carroll	–	–	200,000	
Dr E Kirby	764,300	–	–	

Directors' report (continued)

Significant changes in the state of affairs

There have been no other significant changes in the state of affairs of the Group to the date of this report other than the matters explained in the review of the Chairman and the Managing Director.

Matters subsequent to the end of the financial year

On 22 August 2008, 950,000 ordinary shares were issued in terms of the Company's employee share plan at an issue price of $1.63 per share. In addition 3,383,000 options in terms of the Company's employee option plan were issued to employees and consultants of the Company that are exercisable at $1.63 each on or before 30 June 2011.

There has not been any other 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.

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 by the Group.

Meetings of directors

During the financial year there were 13 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:

	Board meetings		Audit Committee meetings	
	Number of meetings eligible to attend	Number of meetings attended	Number of meetings eligible to attend	Number of meetings attended
T M McConnachie	13	13	–	–
R D Rossiter (appointed 15 August 2007)	11	11	2	2
L M Carroll (appointed 15 August 2007)	11	11	2	2
Dr A P Ruiters (appointed 15 August 2007)	11	9	–	–
J Cooke (appointed 18 August 2008)	–	–	–	–
Dr E Kirby (resigned 18 August 2008)	13	10	–	–
E F G Nealon (resigned 15 August 2007)	2	2	–	–
M J Sturgess (resigned 15 August 2007)	2	2	–	–
K S Huntly (resigned 15 August 2007)	2	1	–	–

Remuneration Report (Audited)

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. The Remuneration Committee is currently investigating this policy and will make recommendations to the Board for the 2009 financial year. 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 financial years.

Non-executive directors

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

Directors' fees

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

The maximum aggregate remuneration for the directors was last determined at the Annual General Meeting held on 30 November 2005, when shareholders approved an aggregate remuneration of $300,000 per year. The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external shareholders as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Directors' report (continued)

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 to executives.

Short term incentives

There are no current short term incentive remuneration arrangements, however the remuneration committee is currently reviewing this as an incentive for employees and have proposals to be submitted to the Board of Directors.

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 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 plans, which represented approximately 4.1% of the ordinary shares in issue at the time of approval.

B - Principles used to determine the nature and amount of remuneration

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

The executives are :

- M J Langoulant – Company Secretary;
- J Meyer – General Manager: Business Development;
- Z Marinkovic – Director, Sylvania Metals (Pty) Limited;
- P R Carter – General Manager: Capital Projects;
- G Haasbroek – General Manager: Operations;
- Dr P J Cox – Strategic Planner;
- C De Vos – Internal Legal Advisor.

Table 1: Key management personnel 2008

2008	Primary benefits			Post-employment benefits	Share-based payment	Total	Options as % of total remuneration
Name	Cash salary/ consulting fees $	Bonus $	Directors' fees $	Super-annuation $	Equity shares / options $	$	
Directors							
T M McConnachie	229,028	38,341	35,000	–	56,872	**359,241**	15.8%
R D Rossiter	224,003	–	30,733	2,766	117,114	**374,616**	31.3%
L M Carroll	154,602	28,756	30,733	–	26,364	**240,455**	11.0%
Dr A P Ruiters	–	–	30,733	–	46,846	**77,579**	60.4%
Dr E Kirby	172,920	–	35,000	3,150	16,359	**227,429**	7.2%
E F G Nealon	24,484	–	4,411	397	16,359	**45,651**	35.8%
M J Sturgess	11,203	–	4,411	397	16,359	**32,370**	50.5%
K S Huntly	69,077	–	4,411	–	28,436	**101,924**	27.9%
Key management personnel							
M J Langoulant	54,000	–	–	–	5,453	**59,453**	9.2%
J Meyer	173,565	28,756	–	–	26,364	**228,685**	11.5%
Z Marinkovic	183,422	22,695	–	–	–	**206,117**	–
C De Vos	154,600	28,987	–	–	26,364	**209,951**	12.6%
P R Carter	182,428	28,755	–	–	26,364	**237,547**	11.1%
G Haasbroek	149,962	24,736	–	–	49,002	**223,700**	21.9%
P J Cox	180,083	28,756	–	–	46,845	**255,684**	18.3%
Total	1,963,377	229,782	175,432	6,710	505,101	2,880,402	17.5%

Directors' report (continued)

Table 2: Key management personnel 2007

2007	Primary benefits		Post-employment benefits	Share-based payment	Total	Options as % of total remuneration
Name	Cash salary and consulting fees	Bonus	Super-annuation	Equity shares / options		
	$	$	$	$	$	
Directors						
T M McConnachie	274,602	35,000	–	183,880	**493,482**	37.7%
R D Rossiter	–	–	–	–	**–**	–
Dr E Kirby	200,004	35,000	3,150	60,620	**298,774**	20.3%
L M Carroll	158,074	–	–	34,685	**192,759**	18.0%
Dr A P Ruiters	–	–	–	–	**–**	–
E F G Nealon	198,000	35,000	3,150	60,620	**296,770**	20.4%
M J Sturgess	99,600	35,000	3,150	60,620	**198,370**	30.6%
K S Huntly	81,512	35,000	–	91,941	**208,453**	44.1%
G M Button	120,000	34,137	3,072	60,620	**217,829**	27.8%
Key management personnel						
M J Langoulant	51,000	–	–	20,206	**71,206**	28.4%
R A Jarvis	77,095	–	3,158	17,899	**98,152**	18.2%
M L Burchnall	158,786	–	14,291	8,949	**182,026**	4.9%
J Meyer	171,626	–	–	34,685	**206,311**	16.8%
Z Marinkovic	149,285	–	–	65,968	**215,253**	30.6%
C De Vos	113,043	–	–	34,685	**147,728**	23.5%
P R Carter	169,565	–	–	34,685	**204,250**	17.0%
Total	2,022,192	209,137	29,971	770,063	3,031,363	25.4%

L M Carroll was appointed as a director of Sylvania South Africa (Pty) Limited on 10 October 2007. Before this appointment he was a Financial Officer 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.

Option holding of key management personnel (Consolidated)

2008 Name	Balance at start of year	Granted during year	Exercised during year	Other changes during year	Balance at end of the year	Vested and exercisable at the end of the year
Directors						
T M McConnachie	500,000	–	–	–	500,000	500,000
Dr A P Ruiters	–	200,000	–	–	200,000	–
L M Carroll	200,000	–	–	–	200,000	100,000
K S Huntly	250,000	–	(250,000)	–	–	–
Key management personnel						
J Meyer	200,000	–	(100,000)	–	100,000	–
C De Vos	200,000	–	(100,000)	–	100,000	–
P R Carter	200,000	–	–	–	200,000	100,000
G Haasbroek	–	200,000	–	–	200,000	–

2007 Name	Balance at start of year	Granted during year	Exercised during year	Other changes during year	Balance at end of the year	Vested and exercisable at the end of the year
Directors						
T M McConnachie	500,000	–	–	–	500,000	250,000
L M Carroll	–	200,000	–	–	200,000	–
K S Huntly	250,000	–	–	–	250,000	125,000
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	–

Directors' report (continued)

Shareholding of key management personnel (Consolidated)

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

2008 Name	Balance at start of year	Issued share and option plan	Other changes during year	Balance at end of the year
Directors				
R D Rossiter	32,000	500,000	–	532,000
Dr E Kirby	764,300	–	(375,000)	389,300
E F G Nealon	750,000	–	(750,000)	-
G M Button	750,000	–	(750,000)	-
M J Sturgess	752,600	–	(750,000)	2,600
Key management personnel				
M J Langoulant	350,000	–	(100,000)	250,000

2007 Name	Balance at start of year	Issued share and option plan	Other changes during year	Balance at end of the year
Directors				
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

C-Consultancy agreements

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

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

Engagement

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

Term

The initial term of the engagement commences on 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 the Agreement by giving written notice to the Consultant;

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

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

Employee Option Plan

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 are exercisable on each anniversary of the grant date.

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

Grant date	Expiry date	Exercise price	Value per option at grant date	Date exercisable
20 April 2006	30 June 2009	$0.50	$0.56	50% after 21 Apr 2007 50% after 21 Apr 2008
17 October 2006	30 June 2010	$0.75	$0.33	50% after 18 Oct 2007 50% after 18 Oct 2008
17 March 2008	30 June 2011	$2.89	$1.08	50% after 18 Mar 2009 50% after 18 Mar 2010
17 March 2008	30 June 2012	$2.67	$1.14	50% after 18 Mar 2009 50% after 18 Mar 2010

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.

Directors' report (continued)

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 20 to the financial statements.

	Number of shares granted during the year		Number of shares vested during the year	
	2008	2007	2008	2007
T M McConnachie	–	–	–	250,000
R D Rossiter	–	–	–	–
L M Carroll	–	200,000	100,000	–
J Meyer	–	200,000	100,000	–
Z Marinkovic	–	200,000	–	200,000
P R Carter	–	200,000	100,000	–
K S Huntly	–	–	–	125,000
A P Ruiters	200,000	–	–	–

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

	Options granted at $2.89 per share	Options granted at $2.67 per share
(i) 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.		
(ii) share price at grant date	$2.80	$2.80
(iii) expected price volatility of the Company's shares	63.33%	63.33%
(iv) expected dividend yield	Nil	Nil
(v) risk-free interest rate	6.39%	6.39%

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.

Employee Share Plan

An Employee Incentive Share Plan was approved at the 2007 Annual General Meeting. The Company's existing share plan, which was approved by shareholders on 30 November 2005, has expired.

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

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

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

- Applied directly against the issue price of the shares to be acquired under the plan;
- For a term to be determined by the Board;
- Repayable to the extent of the lesser of the issue price of the relevant shares issued, less any cash dividends applied against the outstanding principal, and the last market sale price of the shares on the date of repayment of the loan;
- The loan must be repaid in full prior to expiry of the loan;

- The Company will have a lien over the shares in respect of which a loan is outstanding;
- Shares issued under the plan are not transferable while a loan amount in respect of those shares remains payable; and
- Shares issued under the share plan will not be quoted on a publicly traded stock market while a loan amount in respect of those shares remains payable.

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

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

Grant date	Issue price	Fair value of option implicit in share at grant date	Vesting period
21 December 2005	$0.50	$0.17	50% after 21 Dec 2006 50% after 21 Dec 2007
20 December 2006	$0.90	$0.23	50% after 20 Dec 2007 50% after 20 Dec 2008
17 March 2008	$2.89	$1.08	50% after 18 Mar 2009 50% after 18 Mar 2010
17 March 2008	$2.67	$1.14	50% after 18 Mar 2009 50% after 18 Mar 2010

Details of ordinary shares in the Company provided as remuneration to each director of the Company and each of the key management personnel of the Group are set out below. Further information on the shares is set out in note 27 to the financial statements.

	Number of shares granted during the year		Number of shares vested during the year	
	2008	2007	2008	2007
E F G Nealon	–	–	750,000	375,000
G M Button	–	–	–	375,000
Dr E Kirby	–	–	–	375,000
M J Sturgess	–	–	–	375,000
M J Langoulant	–	–	250,000	125,000
R A Jarvis	–	200,000	100,000	–
M L Burchnall	–	100,000	50,000	–
R D Rossiter	500,000	–	–	–

Shares under option

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

Grant date	Date of expiry	Exercise price	Number of options
20 April 2006	30 June 2009	$0.50	500,000
17 October 2006	30 June 2010	$0.75	600,000
17 March 2008	30 June 2011	$2.89	400,000
17 March 2008	30 June 2011	$2.67	600,000

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

Shares issued on the exercise of options

The following ordinary shares of the Company were issued during or since the end of the year ended 30 June 2008 on the exercise of options granted under the share option plan. No amounts are unpaid on any of the shares issued upon the exercise of options.

Issuing entity	Number of shares issued	Class	Amount paid for shares
Sylvania Resources Limited	250,000	Ordinary	$0.50
Sylvania Resources Limited	250,000	Ordinary	$0.75

Indemnification and insurance of directors and officers

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

Proceedings on behalf of the company

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

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

Auditor independence and non-audit services

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declarations is set out on page 28 and forms part of this directors' report for the year ended 30 June 2008.

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise with the Company and/or the consolidated entity is 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 2008 $
* The Auditors of the parent entity is HLB Mann Judd	
Assurance services	
HLB Mann Judd Australian firm:	
Audit and review of financial statements	40,000
Non-HLB Mann Judd firm (LA Gambale)	59,501
Total remuneration for audit services	99,501
Taxation and advisory services	
HLB Mann Judd Australian firm:	–
Non-HLB Mann Judd firm (LA Gambale)	739
Total remuneration for taxation services	739
Other	
HLB Mann Judd Australian firm:	–
Non-HLB Mann Judd firm (LA Gambale)	3,726
Total remuneration for taxation and advisory services	3,726
Total auditors' remuneration	103,966

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.

Signed in accordance with a resolution of the directors.

TM McConnachie
Managing Director
Johannesburg, South Africa
30 September 2008

HLB Mann Judd

Accountants | Business and Financial Advisers

Auditor's Independence Declaration

As lead auditor for the audit of the financial report of Sylvania Resources Limited for the year ended 30 June 2008, 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 Limited.

Perth, Western Australia
30 September 2008

W M CLARK
Partner, HLB Mann Judd

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Corporate governance statement

In accordance with the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations ("ASX Principles and Recommendations")[1], Sylvania Resources Limited ("Company") has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this statement. Commensurate with the spirit of the ASX Principles and Recommendations, 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 ASX Principles and Recommendations, the Board has offered full disclosure of the nature of and reason for the adoption of its own practice.

The Company has undertaken a review of its governance documentation as a consequence of the revision to the ASX Principles and Recommendations. The Company will be reporting against the revised ASX Principles and Recommendations in its next annual report.

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 committees), the Company's code of conduct and other policies and procedures relating to the Board and its responsibilities.

Explanations for departures from best practice recommendations

During the Company's 2008 financial year ("Reporting Period") the Company has followed with each of the ASX Principles and Recommendations, other than in relation to the matters specified below.

Principles 1 to 9	
Recommendations:	**1.1**, 2.5, 3.3, 4.5, 5.2, 6.2, 7.3, 8.1 and 9.5
Notification of departure:	Specific material was not regularly updated on the Company's website, in accordance with the ASX Principles and Recommendations.
Explanation for departure:	Although the Company had in place corporate governance documentation, the recommended website disclosure had not been updated to reflect certain changes. However, shortly after the completion of the Reporting Period and a review of its governance structure the Company now has full website disclosure in accordance with the ASX Principles and Recommendations.

Principle 2	
Recommendation:	**2.1:** A majority of the board should be independent directors.
Notification of departure:	The board does not have a majority of independent directors. Currently the board comprises five directors of which two are considered independent.
Explanation for departure:	During the Reporting Period, there were substantial changes to the Board. Three new appointments were made and consideration was given to, among other things, the Company's development as a South African platinum producer. The operational focus of the Company being increasingly South African based, the Company appointed appropriate Board members to enhance the areas of strategy, development and finance. The Board is aware of the importance of independence and shortly after the completion of the Reporting Period made a further appointment of an independent director. The Board therefore considers that its present composition is suitable given the Company's circumstances.

Principle 2	
Recommendation:	**2.2:** The chairperson should be an independent director.
Notification of departure:	For a portion of the reporting period, the chair was not an independent director.
Explanation for departure:	From the beginning of the Reporting Period until 15 August 2007, the Board did not have an independent Chair. However, as a result of the compositional changes to the Board, as discussed above, Mr Rossiter, an independent director, was appointed Chair and therefore, for the majority of the Reporting Period the Company followed the recommendation.

[1] A copy of the ASX Principles and Recommendations is set out on the Company's website under the Section entitled "Corporate Governance".

Principles 2	
Recommendations:	**2.4:** The board should establish a Nomination Committee
Notification of departure:	The full board performs the role of a Nomination Committee.
Explanation for departure:	The full Board considers those matters that would usually be the responsibility of a nomination committee. The Board considers that no efficiencies or other benefits would be gained by establishing a separate committee. The Board has adopted a Nomination Committee Charter to assist it with its function as a nomination committee.

Principle 4	
Recommendation:	**4.3:** Structure the Audit Committee so that it consists only of non-executive directors, a majority of independent directors and an independent chairperson, who is not chairperson to the board.
Notification of departure:	The composition of the Board was not suitable for the formation of an Audit Committee in accordance with the recommendation. However, shortly after the Reporting Period, Mr Cooke was appointed to the Board and as Chairman of the Audit Committee. Mr Cooke's qualifications and experience enabled him to bring expertise and independence to the Audit Committee and as a consequence the Company now follows the recommendation.

Principles 9	
Recommendations:	**9.2:** The board should establish a Remuneration Committee
Notification of departure:	The full board performs the role of a Remuneration Committee.
Explanation for departure:	The full Board considers those matters that would usually be the responsibility of a remuneration committee. The Board considers that no efficiencies or other benefits would be gained by establishing a separate committee. The Board has adopted a Remuneration Committee Charter to assist it with its function as a remuneration committee.

Nomination Committee

The full Board, in its capacity as the Nomination Committee, held one meeting during the Reporting Period. All Board members attended the meeting.

Audit Committee

During the Reporting Period, the Audit Committee composition changed. The following table identifies those directors who were or are members of the Audit Committee and shows their attendance at committee meetings:

Name	No. of meetings attended	No. of meetings held
1 July 2007 – 15 August 2007		
M J Sturgess (independent Chair)	–	–
K S Huntly (independent)	–	–
Dr E Kirby	–	–
15 August 2007 – 29 July 2008		
R Rossiter (independent Chair)	2	2
L M Carroll	2	2

The changes to the Board composition following the end of the Reporting Period allowed the Company to form an Audit Committee in accordance with the ASX Principles and Recommendations recommended structure. Currently the Audit Committee comprises J Cooke (independent Chair), Richard Rossiter (independent) and Alistair Ruiters.

Details of each of the director's qualifications are set out in the Director's Report. Of the current Audit Committee members, all possess industry knowledge and consider themselves to be financially literate. Mr Cooke is a Chartered Accountant and therefore brings financial expertise to the Audit Committee.

Corporate governance statement (continued)

Remuneration Committee

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

The full Board, in its capacity as the Remuneration Committee, held one meeting during the Reporting Period. All Board members attended the meeting.

Other

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

A profile of each director containing the skills, experience, expertise and term of office of each director is set out in the Directors' Report.

Identification of independent directors

In considering the independence of directors, the Board refers to the criteria for independence as set out in Box 2.1 of the ASX Principles and Recommendations ("Independence Criteria"). 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 Board Charter, which is disclosed in full on the Company's website.

Applying the Independence Criteria, the independent directors of the Company are Richard Rossiter and John Cooke.
In the interest of disclosure, through his consultancy company, Richard Rossiter provides expertise and know-how in relation to the Company's business, which services are provided at normal commercial rates. The Board does not consider however, the contractual relationship Mr Rossiter has with the Company to be material. Further, Mr Rossiter does not consider the contract to be material to himself personally.

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 has taken place and how conducted

During the Reporting Period an informal evaluation of the overall structure and composition of the Board was carried out. The evaluation process comprised round table discussions. Given the Company's future objectives, compositional changes were considered necessary, particularly considering the Company's development as a South African platinum producer. Further, through informal internal procedures, the senior executives were evaluated by the Managing Director.

Existence and terms of any schemes for retirement benefits for non-executive directors

There are no termination or retirement benefits for non-executive directors.

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 2008 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 2008.

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

T M McConnachie
Managing Director
Johannesburg, South Africa
30 September 2008

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of
SYLVANIA RESOURCES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Sylvania Resources Limited ("the company"), which comprises the balance sheet as at 30 June 2008, the income statement, statement of changes in equity, cash flow statement and notes to the financial statements for the year ended on that date, and the directors' declaration for both the company and the consolidated entity as set out on the accompanying pages. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the 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 also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, 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) ABN 22 193 232 714
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Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au
Liability limited by a scheme approved under Professional Standards Legislation

Independence

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

Auditor's Opinion

In our opinion:

(a) the financial report of Sylvania Resources Limited is in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

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

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

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 16 to 25 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Sylvania Resources Limited for the year ended 30 June 2008 complies with section 300A of the Corporations Act 2001.

HLB Mann Judd.

HLB MANN JUDD
Chartered Accountants

Perth, Western Australia
30 September 2008

W M CLARK
Partner

Income statements

For the year ended 30 June 2008

	Notes	Consolidated 2008 $	Consolidated 2007 $	Parent entity 2008 $	Parent entity 2007 $
Revenue from continuing operations	2(a)	**32,789,608**	389,402	**–**	–
Other income	2(b)	**2,260,834**	2,156,481	**4,274,929**	2,291,330
Share of net profit of jointly controlled entity accounted for using the equity method	24	**5,021,508**	1,649,511	**–**	–
Raw materials and consumables used		**(7,632,258)**	(608,769)	**–**	–
Depreciation	2(c)	**(1,505,716)**	(405,645)	**(8,848)**	(12,155)
Finance costs	2(c)	**(12,847)**	(6,082)	**–**	–
Foreign exchange loss	2(c)	**(4,594,987)**	(2,657,846)	**(4,594,987)**	(2,654,795)
Project generation costs	2(c)	**–**	(5,546,000)	**–**	(5,546,000)
Impairment of available-for-sale financial assets	2(c)	**(2,567,345)**	–	**(2,567,345)**	–
Impairment of loans to subsidiary	2(c)	**–**	–	**2,916,291**	(2,451,453)
Share based payment expense	2(c)	**(673,815)**	(795,177)	**(673,815)**	(795,177)
Other expenses		**(6,051,324)**	(5,644,442)	**(2,730,850)**	(2,998,057)
Profit / (loss) before income tax expense		**17,033,658**	(11,468,567)	**(3,384,625)**	(12,166,307)
Income tax (expense) / benefit	3	**(5,346,659)**	351,892	**–**	–
Profit / (loss) after income tax expense from continuing operations		**11,686,999**	(11,116,675)	**(3,384,625)**	(12,166,307)
Net profit / (loss) for the year		**11,686,999**	(11,116,675)	**(3,384,625)**	(12,166,307)
Profit attributable to minority interest		**(1,824,813)**	–	**–**	–
Net profit attributable to members of the parent		**9,862,186**	(11,116,675)	**(3,384,625)**	(12,166,307)

		2008 Cents	2007 Cents
Earnings / (loss) per share for profit / (loss) from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings / (loss) per share	4	**5.64**	(7.59)
Diluted earnings / (loss) per share	4	**5.57**	(7.59)

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

Balance sheets

For the year ended 30 June 2008

	Notes	Consolidated 2008 $	Consolidated 2007 $	Parent entity 2008 $	Parent entity 2007 $
Assets					
Current assets					
Cash and cash equivalents	6	43,623,564	56,225,793	32,938,264	51,760,438
Trade and other receivables	7	15,886,145	838,747	743,690	92,188
Inventories	8	227,440	–	–	–
Total current assets		59,737,149	57,064,540	33,681,954	51,852,626
Non-current assets					
Available-for-sale financial assets	9	2,252,098	1,516,290	2,252,098	1,516,290
Investments accounted for using the equity method	24	4,404,466	4,692,320	–	–
Other financial assets	11	–	–	50,329,422	25,966,119
Deferred exploration expenditure	12	1,728,310	1,322,596	–	–
Property, plant & equipment	13	29,578,317	15,864,198	22,009	24,203
Deferred tax asset	3	–	470,440	–	–
Total non-current assets		37,963,191	23,865,844	52,603,529	27,506,612
Total assets		97,700,340	80,930,384	86,285,483	79,359,238
Current liabilities					
Trade and other payables	14	2,654,108	3,295,481	170,544	731,299
Borrowings	15	78,074	21,988	–	–
Current tax liability	3	1,024,695	–	–	–
Total current liabilities		3,756,877	3,317,469	170,544	731,299
Non-current liabilities					
Borrowings	15	251,298	91,055	–	–
Deferred tax liability	3	3,543,998	–	–	–
Provisions	16	355,158	–	–	–
Total non-current liabilities		4,150,454	91,055	–	–
Total liabilities		7,907,331	3,408,524	170,544	731,299
Net assets		89,793,009	77,521,860	86,114,939	78,627,939
Equity					
Issued capital	17	117,274,097	105,950,221	117,274,097	105,950,221
Reserves	18	(12,458,835)	(1,719,109)	989,100	1,441,351
Accumulated losses	19	(16,847,066)	(26,709,252)	(32,148,258)	(28,763,633)
Capital and reserves attributable to equity holders of Sylvania Resources Limited		87,968,196	77,521,860	86,114,939	78,627,939
Minority interest		1,824,813	–	–	–
Total equity		89,793,009	77,521,860	86,114,939	78,627,939

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

Statements of changes in equity

For the year ended 30 June 2008

Consolidated	Issued capital	Accumulated losses	Reserves	Minority equity interests	Total equity
	$	$	$	$	$
Balance as at 1 July 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**
Balance as at 1 July 2007	**105,950,221**	**(26,709,252)**	**(1,719,109)**	**–**	**77,521,860**
Shares issued during the year:					
Shares issued	8,760,000	–	–	–	8,760,000
Options exercised	275,000	–	–	–	275,000
Employee share plan loan repaid – proceeds	1,614,500	–	–	–	1,614,500
Share based payment reserve transferred to contributed equity	732,008	–	(732,008)	–	–
Less: Capital raising costs	(57,632)	–	–	–	(57,632)
Profit for the period	–	9,862,186	–	1,824,813	11,686,999
Share based compensation reserve	–	–	673,815	–	673,815
Net gains revaluation reserve	–	–	(394,058)	–	(394,058)
Currency translation differences	–	–	(10,287,475)	–	(10,287,475)
Balance at 30 June 2008	**117,274,097**	**(16,847,066)**	**(12,458,835)**	**1,824,813**	**89,793,009**

Parent entity	Issued capital	Accumulated losses	Reserves	Minority equity interests	Total equity
	$	$	$	$	$
Balance as at 1 July 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
Balance at 1 July 2007	**105,950,221**	**(28,763,633)**	**1,441,351**	**–**	**78,627,939**
Shares issued during the year:					
Shares issued	8,760,000	–	–	–	8,760,000
Options exercised	275,000	–	–	–	275,000
Employee share plan loan repaid – proceeds	1,614,500	–	–	–	1,614,500
Share based payment reserve transferred to contributed equity	732,008	–	(732,008)	–	–
Less: Capital raising costs	(57,632)	–	–	–	(57,632)
Profit for the period	–	(3,384,625)	–	–	(3,384,625)
Share based compensation reserve	–	–	673,815	–	673,815
Net gains revaluation reserve	–	–	(394,058)	–	(394,058)
Balance at 30 June 2008	**117,274,097**	**(32,148,258)**	**989,100**	**–**	**86,114,939**

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 2008

	Notes	Consolidated 2008 $	Consolidated 2007 $	Parent entity 2008 $	Parent entity 2007 $
Cash flows from operating activities					
Receipts from customers		26,158,124	1,978,172	–	–
Payments to suppliers and employees		(18,508,729)	(8,479,793)	(3,443,842)	(3,360,808)
Interest received		2,323,557	1,082,727	1,942,134	985,494
Other revenue		560,826	2,263,560	101,822	2,975
Net cash inflow / (outflow) from operating activities	22	10,533,778	(3,155,334)	(1,399,886)	(2,372,339)
Cash flows from investing activities					
Payments for property, plant and equipment		(12,085,962)	(16,618,770)	(12,162)	(55,132)
Payments for available-for-sale financial assets		(4,715,559)	(574,877)	(4,715,559)	(574,877)
Payments for exploration and evaluation		(375,006)	(875,019)	–	–
Payments for mineral rights		(303,474)	–	–	–
Loans to related parties		(1,314,311)	921,933	–	(4,000)
Loans to subsidiaries		–	–	(10,201,448)	(20,568,221)
Proceeds from sale of plant and equipment		–	1,233,163	–	34,500
Proceeds from sale of available-for-sale financial assets		345,000	591,098	345,000	591,098
Repayment of loan from related party		–	114,731	–	212,560
Net cash (outflow) from investing activities		(18,449,312)	(15,207,741)	(14,584,169)	(20,364,072)
Cash flows from financing activities					
Proceeds from issue of shares		1,814,500	75,478,412	1,814,500	75,478,412
Capital raising costs		(57,632)	(4,177,444)	(57,632)	(4,177,444)
Net cash inflow from financing activities		1,756,868	71,300,968	1,756,868	71,300,968
Net (decrease) / increase in cash held		(6,158,666)	52,937,893	(14,227,187)	48,564,557
Foreign exchange movement		(6,443,563)	(2,657,846)	(4,594,987)	(2,654,795)
Cash at the beginning of the financial year		56,225,793	5,945,746	51,760,438	5,850,676
Cash at the end of the financial year	6	43,623,564	56,225,793	32,938,264	51,760,438

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

Notes to the financial statements

For the year ended 30 June 2008

1. Significant accounting policies

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law. The financial report has also been prepared on a historical cost basis, except for available-for-sale investments, which have been measured at fair value. The Company is a listed public company incorporated and domiciled in Australia, and operating in South Africa. The financial statements are presented in Australian dollars and were authorised for issue by the directors on 30 September 2008.

(b) Adoption of new and revised standards

Changes in Accounting Policies on Initial Application of Accounting Standards

In the year ended 30 June 2008, the Group has adopted 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 2007. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below. The Group has also adopted the following Standards as listed below which only impacted on the Group's financial statements with respect to disclosure:

- AASB 101 'Presentation of Financial Instruments' (revised October 2006);
- AASB 7 'Financial Instruments: Disclosures';

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2008. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

(c) Statement of compliance

The financial report was authorised by the Board of directors for issue on 30 September 2008.

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 (AIFRS).

(d) Basis of consolidation

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

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

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

(e) Significant accounting judgements estimates and assumptions

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

(i) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black and Scholes model, using the assumptions detailed in Note 20.

1. Significant accounting policies (continued)

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

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

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

(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 lesser 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.

1. Significant accounting policies (continued)

(j) Trade and other receivables

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

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

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

The carrying amount of deferred income tax assets is reviewed at each balance 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 authorities are classified as operating cash flows.

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

(o) Property, plant and equipment

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

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.

1. Significant accounting policies (continued)

(o) Property, 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%
Furniture and fittings – 7.5%

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end. The useful lives of plant have been reviewed and subsequently changed from 5 years to 10 years.

(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.

Notes to the financial statements (continued)

For the year ended 30 June 2008

1. 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.

(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.

1. Significant accounting policies (continued)

(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.

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.

1. Significant accounting policies (continued)

(u) Share-based payment transactions (continued)

Equity settled transactions (continued)

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 are 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) Inventories

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

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

Raw materials – purchase cost on a first-in, first-out basis; and

Finished goods and work-in-progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

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

(y) Interest-bearing loans and borrowings

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

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

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

1. Significant accounting policies (continued)

(z) Provision for restoration and rehabilitation

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of development activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of abandoning sites, removing facilities and restoring the affected areas.

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

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

(aa) 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 exploration of the area of interest or alternatively, by its sale;
- 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 include 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 (continued)

For the year ended 30 June 2008

	Consolidated		Parent entity	
	2008 $	2007 $	2008 $	2007 $
2. Revenue and expenses				
(a) Revenue from continuing operations				
Sales revenue				
Sale of goods	32,789,608	389,402	–	–
(b) Other income				
Interest received	2,729,211	1,112,982	2,347,788	1,015,748
Sale of mining tenements	–	350,000	–	–
Net gain / (loss) on disposal of non-current asset	(5,508)	(85)	(5,508)	(85)
Tenement option funds	–	7,500	–	–
Net capital gain / (loss) on sale of available-for-sale financial assets	(503,267)	291,098	(503,267)	291,098
Administration recovery	–	–	2,435,916	984,569
Management fee received	40,398	394,986	–	–
	2,260,834	2,156,481	4,274,929	2,291,330
(c) Expenses				
Profit / (loss) from ordinary activities before income tax expense includes the following specific expenses:				
Consulting	1,298,940	1,123,316	839,437	955,383
Depreciation	1,505,716	405,645	8,848	12,155
Finance costs	12,847	6,082	–	–
Foreign exchange loss	4,594,987	2,657,846	4,594,987	2,654,795
Operating lease payments	281,837	–	134,997	–
Project generation costs	–	5,546,000	–	5,546,000
Impairment of available-for-sale financial asset	2,567,345	–	2,567,345	–
Impairment of loans to subsidiaries	–	–	(2,916,291)	2,451,453
Share based payments expense	673,815	795,177	673,815	795,177
Superannuation expense	18,565	–	18,565	–
	10,954,052	10,534,066	5,921,703	12,414,963
3. Income tax				
Major components of tax expense for the years ended 30 June 2008 and 2007				
Income statement				
Current income tax				
Current income tax charge	1,332,607	(1,572,628)	141,709	(534,826)
Adjustments in respect of current income tax of previous year	(36,729)	53,556	(42,340)	53,556

	Consolidated		Parent entity	
	2008 $	2007 $	2008 $	2007 $

3. Income tax (continued)

	2008 $	2007 $	2008 $	2007 $
Deferred income tax				
Relating to origination and reversal of temporary differences	3,336,967	379,333	(1,661,665)	(266,353)
Tax losses not previously recognised now brought to account	47,102	–	–	–
Current year tax losses not recognised in the current period	666,712	787,847	1,562,296	747,623
Income tax expense/ (benefit) reported in the income statement	5,346,659	(351,892)	–	–
Unrecognised deferred tax balances				
Unrecognised deferred tax assets/losses	1,197,060	1,985,797	1,144,410	1,243,780
Unrecognised deferred tax assets/capital losses	611,624	455,608	611,624	455,608
Unrecognised deferred tax assets/temporary differences	2,650,113	1,155,670	2,650,113	1,155,670
Net unrecognised deferred tax assets	4,458,797	3,597,075	4,406,147	2,855,058
Reconciliation to income tax benefit on accounting loss				
Accounting profit/(loss)	17,033,658	(11,468,567)	(3,384,625)	(12,166,307)
Tax expense (revenue) at statutory rate of 30%	5,110,098	(3,440,571)	(1,015,388)	(3,649,891)
Sundry non-deductable expenses				
– Impairment of loan	–	–	(874,887)	735,436
– Share based payments	202,145	238,553	202,145	238,553
– Non-deductable foreign expenditure	178,683	2,015,269	178,683	2,015,269
– Other	(808,865)	(6,547)	1,978	(140,546)
Over provision of tax in prior year	(49,216)	53,556	(54,827)	53,556
Benefit of tax losses and timing differences not brought to account	713,814	787,848	1,562,296	747,623
Income tax expense/(benefit)	5,346,659	(351,892)	–	–
Deferred tax asset				
The balance comprises temporary differences attributable to:				
Amounts recognised in profit and loss	–	–	–	–
Unredeemed capital expenditure	2,463,176	4,906,233	–	–
Current year tax loss	33,121	372,514	–	–
Other	23,048	–	–	–
Unrealised foreign exchange loss	130,772	9,076	130,772	9,076
	2,650,117	5,287,823	130,772	9,076
Set off against deferred tax liability	(2,650,117)	(4,817,383)	(130,772)	(9,076)
	–	470,440	–	–

	Consolidated		Parent entity	
	2008 $	2007 $	2008 $	2007 $

3. Income tax (continued)

Deferred tax liability

The balance comprises temporary differences attributable to:

	Consolidated 2008 $	Consolidated 2007 $	Parent entity 2008 $	Parent entity 2007 $
Amounts recognised in profit and loss	–	–	–	–
Plant, mining and equipment	5,738,533	4,808,306	–	–
Deferred exploration expenditure	324,810	–	–	–
Accrued interest	130,772	9,077	(130,772)	9,077
	6,194,115	4,817,383	(130,772)	9,077
Set off against deferred tax assets	(2,650,117)	(4,817,383)	130,772	(9,077)
	3,543,998	–	–	–

At 30 June 2008, 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 subsidiaries, 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.

4. Earnings per share

	Consolidated 2008 Cents per share	Consolidated 2007 Cents per share
Basic loss per share – cents per share	5.64	(7.59)
Diluted earnings / (loss) per share	5.57	(7.59)

	Consolidated 2008 $	Consolidated 2007 $

4. Earnings per share (continued)

	2008 $	2007 $
Reconciliations of earnings /(loss) used in calculating earnings / (loss) per share		
Profit / (loss) attributable to the ordinary equity holders of the company used in calculating basic earnings / (loss) per share	9,862,186	(11,116,675)
Profit / (loss) attributable to the ordinary equity holders of the company used in calculating diluted earnings / (loss) per share	9,862,186	(11,116,675)
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings / (loss) per share	174,879,972	146,497,424
Adjustment for calculation of diluted earnings per share	2,260,882	–
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings / (loss) per share	177,140,854	146,497,424

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 2008 and 2007.

Consolidated	Continuing operations Australia	Continuing operations South Africa	Inter-segment eliminations	Total operations
2008	$	$	$	$
Segment revenue				
Sale of goods	–	32,789,608	–	32,789,608
Other revenue	4,274,929	2,813,342	(4,827,437)	2,260,834
Share of net profit from jointly controlled entity accounted for on an equity basis	–	5,021,508	–	5,021,508
Consolidated revenue	4,274,929	40,624,458	(4,827,437)	40,071,950

Notes to the financial statements (continued)

For the year ended 30 June 2008

5. Segment Reporting (continued)

	Continuing operations Australia	South Africa	Inter-segment eliminations	Total operations
2008	$	$	$	$
Segment results				
Profit before tax	(3,384,625)	13,025,713	7,392,570	17,033,658
Income tax expense	–	(2,817,253)	(2,529,406)	(5,346,659)
Profit for the year	(3,384,625)	10,208,460	4,863,164	11,686,999
Segment assets and liabilities				
Segment assets	86,285,483	11,441,046	(26,189)	97,700,340
Segment liabilities	170,544	5,933,349	1,803,438	7,907,331
Other segment information				
Depreciation and amortisation	8,848	1,496,868	–	1,505,716
Finance costs	–	12,847	–	12,847
Foreign exchange losses	4,594,987	9,995,707	(9,995,707)	4,594,987
Impairment of available-for-sale financial asset	2,567,345	–	–	2,567,345
Impairment of loans to subsidiaries	(2,916,291)	–	2,916,291	–
Management fees	(2,435,916)	2,749,070	(313,154)	–
Share based payment expenses	673,815	–	–	673,815
Investment in jointly controlled entity	–	4,404,466	–	4,404,466
2007	$	$	$	$
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
Consolidated revenue	2,648,830	2,562,918	(1,016,354)	4,195,394
Segment results				
Profit for the year	(11,805,883)	(3,901,724)	4,590,932	(11,116,675)
Segment assets and liabilities				
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

	Consolidated		Parent entity	
	2008 $	2007 $	2008 $	2007 $

6. Cash and cash equivalents

Cash at bank and on hand	11,873,179	46,635,252	1,187,879	46,108,863
Short term deposits	31,750,385	9,590,541	31,750,385	5,651,575
	43,623,564	56,225,793	32,938,264	51,760,438

(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 statement	43,623,564	56,225,793	32,938,264	51,760,438

(b) Cash at bank and on hand

These are bearing interest rates of between 4.25% and 6.5% (2007: 4.75% and 5.75%).

(c) Deposits at call

The deposits are bearing floating interest rates between 5.75% and 6.85% (2007: 5.99% and 5.20%). These deposits have a maturity between 30 and 90 days.

(d) Cash balances not available for use

As at 30 June 2007, an amount of A$99,997 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 13 July 2007 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 A$49,949 was refunded to the Company and the balance together with all interest accrued from the investment of the A$99,897 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 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 during the current financial year.

7. Trade and other receivables

Trade receivable	14,602,935	391,434	–	–
Other receivables	1,257,520	424,058	738,312	82,462
Prepayments	25,690	23,255	5,378	9,726
	15,886,145	838,747	743,690	92,188

No trade receivables are past their contractual terms at 30 June 2008.

	Consolidated		Parent entity	
	2008 $	2007 $	2008 $	2007 $
8. Inventories				
Finished goods stock	34,109	–	–	–
Stores and materials	193,331	–	–	–
	227,440	–	–	–

Finished stock

Concentrate in holding tank awaiting despatch.

Store materials

Strategic spares held in stock for engineering breakdowns.

9. Available for Sale Financial Assets

	2008 $	2007 $	2008 $	2007 $
At fair value				
Listed shares	2,252,098	1,365,380	1,972,435	1,365,380
Listed options	–	150,910	279,663	150,910
	2,252,098	1,516,290	2,252,098	1,516,290

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

10. Investments accounted for using the equity method

	2008 $	2007 $	2008 $	2007 $
Interest in jointly controlled entity (refer to note 24)	4,404,466	4,692,320	–	–

11. Other financial assets

	2008 $	2007 $	2008 $	2007 $
Investments in subsidiaries				
Investment in subsidiaries (refer to note 28)	–	–	1,500,004	1,500,004
Impairment of investment in subsidiaries	–	–	(1,500,004)	(1,500,004)
	–	–	–	–
Loans carried at amortised cost				
Non interest-bearing loans	–	–	–	–
Loans receivable from subsidiaries (refer to note 28)	–	–	50,329,422	28,882,410
Impairment of loan to subsidiaries	–	–	–	(2,916,291)
	–	–	50,329,422	25,966,119
Total other financial assets	–	–	50,329,422	25,966,119

12. Deferred exploration expenditure

Consolidated	Mineral rights	Deferred exploration expenditure	Total
2008	**$**	**$**	**$**
Balance at beginning of financial year	333,600	988,996	1,322,596
Foreign currency movements	(68,800)	(203,966)	(272,766)
Direct expenditure for the year	303,474	375,006	678,480
Expenditure written off	–	–	–
Balance at end of financial year	568,274	1,160,036	1,728,310
2007	**$**	**$**	**$**
Balance at beginning of financial year	490,693	–	490,693
Foreign currency movements	7,968	(64,214)	(56,246)
Direct expenditure for the year	(165,061)	1,053,210	888,149
Expenditure written off	–	–	–
Balance at end of financial year	333,600	998,996	1,322,596

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.

13. Property, plant and equipment

Consolidated	Mining property	Con-struction in progress	Plant and equip-ment	Equip-ment	Lease-hold improve-ments	Computer equip-ment and software	Furniture and fittings	Office equip-ment	Motor vehicles	Total
2008	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
At 1 July 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 book value	–	12,447,457	3,143,914	–	–	31,233	30,420	30,922	180,252	15,864,198
Year ended 30 June 2008										
Opening net book value	–	12,447,457	3,143,914	–	–	31,233	30,420	30,922	180,252	15,864,198
Exchange differences	(74,658)	(2,410,776)	(3,001,150)	(41,200)	(5,616)	(12,319)	(9,869)	(5,661)	(64,877)	(5,626,126)
Additions	8,760,000	7,650,203	3,829,674	276,276	41,629	55,556	32,751	29,356	176,024	20,851,469
Disposals	–	–	–	–	–	–	(5,508)	–	–	(5,508)
Relocations between asset classes	–	(10,875,379)	10,875,379	–	–	–	–	–	–	–
Depreciation charge	–	–	(1,400,938)	(15,119)	(5,735)	(19,738)	(8,241)	(13,128)	(42,817)	(1,505,716)
	8,685,342	6,811,505	13,446,879	219,957	30,278	54,732	39,553	41,489	248,582	29,578,317
At 30 June 2008										
Cost or fair value	8,685,342	6,811,505	15,185,495	235,076	36,013	85,351	53,422	66,871	335,958	31,495,033
Accumulated depreciation	–	–	(1,738,616)	(15,119)	(5,735)	(30,619)	(13,869)	(25,382)	(87,376)	(1,916,716)
	8,685,342	6,811,505	13,446,879	219,957	30,278	54,732	39,553	41,489	248,582	29,578,317

For the year ended 30 June 2008

13. Property, plant and equipment (continued)

Consolidated	Mining property	Construction in progress	Plant and equipment	Equipment	Leasehold improvements	Computer equipment and software	Furniture and fittings	Office equipment	Motor vehicles	Total
2007	$	$	$	$	$	$	$	$	$	$
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)
Relocations between asset classes	–	(3,481,592)	3,481,592	–	–	–	–	–	–	–
Depreciation charge	–	–	(337,678)	–	–	(9,674)	(4,762)	(8,972)	(44,559)	(405,645)
	–	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)
	–	12,447,457	3,143,914	–	–	31,233	30,420	30,922	180,252	15,864,198

Parent	Mining property	Construction in progress	Plant and equipment	Equipment	Leasehold improvements	Computer equipment and software	Furniture and fittings	Office equipment	Motor vehicles	Total
2008	$	$	$	$	$	$	$	$	$	$
At 1 July 2007										
Cost or fair value	–	–	–	–	–	4,151	6,365	24,176	–	34,692
Accumulated depreciation	–	–	–	–	–	(1,296)	(410)	(8,783)	–	(10,489)
Net book value	–	–	–	–	–	2,855	5,955	15,393	–	24,203
Year ended 30 June 2008										
Opening net book value	–	–	–	–	–	2,855	5,955	15,393	–	24,203
Exchange differences	–	–	–	–	–	–	–	–	–	–
Additions	–	–	–	–	–	1,781	–	10,381	–	12,162
Disposals	–	–	–	–	–	–	(5,508)	–	–	(5,508)
Relocations between asset classes	–	–	–	–	–	–	–	–	–	–
Depreciation charge	–	–	–	–	–	(1,300)	(447)	(7,101)	–	(8,848)
	–	–	–	–	–	3,336	–	18,673	–	22,009
At 30 June 2008										
Cost or fair value	–	–	–	–	–	5,932	–	34,557	–	40,489
Accumulated depreciation	–	–	–	–	–	(2,596)	–	(15,884)	–	(18,480)
	–	–	–	–	–	3,336	–	18,673	–	22,009

13. Property, plant and equipment (continued)

Parent	Mining property	Con-struction in progress	Plant and equip-ment	Equip-ment	Lease-hold improve-ments	Computer equip-ment and software	Furniture and fittings	Office equip-ment	Motor vehicles	Total
2007	$	$	$	$	$	$	$	$	$	$
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)
Relocations between asset classes	–	–	–	–	–	–	–	–	–	–
Depreciation charge	–	–	–	–	–	(1,189)	(381)	(6,246)	(4,339)	(12,155)
	–	–	–	–	–	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)
	–	–	–	–	–	2,855	5,955	15,393	–	24,203

	Consolidated		Parent entity	
	2008 $	2007 $	2008 $	2007 $
(a) Leased assets				
Equipment and motor vehicles include the following amounts where the Group is a lessee under a finance lease:				
Equipment				
Cost	106,251	–	–	–
Accumulated Depreciation	(3,542)	–	–	–
Foreign exchange differences	–	–	–	–
	102,709	–	–	–
Motor vehicles				
Cost	233,384	–	–	–
Accumulated Depreciation	(33,808)	–	–	–
Foreign exchange differences	–	–	–	–
	199,576	–	–	–

	Consolidated		Parent entity	
	2008 $	2007 $	2008 $	2007 $

13. Property, plant and equipment (continued)

(b) Non-current assets pledged as security

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

(c) Change in useful lives

The useful life of plant has been revised from 5 years in 2007 to 10 years in 2008.

14. Trade and other payables

	Consolidated 2008 $	Consolidated 2007 $	Parent entity 2008 $	Parent entity 2007 $
Trade payables	1,405,985	1,677,754	127,157	571,213
Other payables	1,248,123	1,617,727	43,387	160,086
	2,654,108	3,295,481	170,544	731,299

15. Borrowings

	Consolidated 2008 $	Consolidated 2007 $	Parent entity 2008 $	Parent entity 2007 $
Secured				
Current liabilities				
Payable within one year (Refer to Note 23)	78,074	21,988	–	–
Non-current liabilities				
Payable within 1-5 years (Refer to Note 23)	251,298	91,055	–	–

16. Provisions

	Consolidated 2008 $	Consolidated 2007 $	Parent entity 2008 $	Parent entity 2007 $
Provision for rehabilitation	355,158	–	–	–
Movement in provision				
Balance at beginning of financial year	–	–	–	–
Arising during the year	355,158	–	–	–
Balance at end of financial year	355,158	–	–	–

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

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

17. Issued capital

	Consolidated and parent		Consolidated and parent	
	2008 No of shares	2007 No of shares	2008 $	2007 $
(a) Share Capital				
Ordinary shares				
Ordinary shares fully paid	178,584,273	171,929,273	117,274,097	105,950,221
Employee share plan shares	1,428,000	4,100,000	–	–
	180,012,273	176,029,273	117,274,097	105,950,221

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

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	$
1 July 2007	Opening balance	171,929,273		105,950,221
27 August 2007	Exercise of 2006 options			
	Proceeds received	125,000	$0.50	62,500
	Transfer from share-based payment reserve		–	70,463
31 August 2007	Employee share plan loan – proceeds received	200,000	$0.50	100,000
	Transfer from share-based payment reserve		–	29,429
03 September 2007	Employee share plan loan – proceeds received	750,000	$0.50	375,000
	Transfer from share-based payment reserve		–	110,358
02 November 2007	Exercise of 2007 options:			
	Proceeds received	100,000	$0.75	75,000
	Transfer from share-based payment reserve		–	32,983
16 November 2007	Employee share plan loan – proceeds received	375,000	$0.50	187,500
	Transfer from share-based payment reserve		–	55,179
21 December 2007	Employee share plan loan – proceeds received	800,000	$0.50	400,000
	Transfer from share-based payment reserve		–	146,417
31 December 2007	Exercise of 2006 options:			
	Proceeds received	125,000	$0.50	62,500
	Transfer from share-based payment reserve		–	70,463
30 January 2008	Employee share plan loan – proceeds received	500,000	$0.50	250,000
	Transfer from share-based payment reserve		–	82,541
25 February 2008	Employee share plan loan – proceeds received	30,000	$0.90	27,000
	Transfer from share-based payment reserve		–	6,808
29 February 2008	Employee share plan loan – proceeds received	550,000	$0.50	275,000
	Transfer from share-based payment reserve			94,383
17 March 2008	Exercise of 2007 options:			
	Proceeds received	100,000	$0.75	75,000
	Transfer from share-based payment reserve		–	32,984
17 March 2008	Placement in lieu of services rendered	3,000,000	$2.92	8,760,000
	Less: Transaction costs arising on share issue			(57,632)
	On issue at the end of the year	178,584,273		117,274,097

Notes to the financial statements (continued)

For the year ended 30 June 2008

17. Issued capital (continued)

(c) Movements in Employee Share Plan Shares issued with Limited Recourse Employee Loans

Date	Details	Number of shares	Issue price
1 July 2007	On issue at beginning of the year	4,100,000	
31 August 2007	Employee share plan loan repaid – shares transferred to ordinary share capital	(200,000)	$0.50
3 September 2007	Employee share plan loan repaid – shares transferred to ordinary share capital	(750,000)	$0.50
16 November 2007	Employee share plan loan repaid – shares transferred to ordinary share capital	(375,000)	$0.50
21 December 2007	Employee share plan loan repaid – shares transferred to ordinary share capital	(800,000)	$0.50
30 January 2008	Employee share plan loan repaid – shares transferred to ordinary share capital	(500.000)	$0.50
25 February 2008	Employee share plan loan repaid – shares transferred to ordinary share capital	(30,000)	$0.90
29 February 2008	Employee share plan loan repaid – shares transferred to ordinary share capital	(550,000)	$0.50
17 March 2008	Employee Share Plan issue	33,000	$2.67
17 March 2008	Employee Share Plan issue	500,000	$2.89
	On issue at the end of the year	1,428,000	

Information relating to the employee share plan, including details of shares issued under the plan, is set out in note 20.

	Number of options	
	2008	2007
Share options		
Employee option plan options exercisable (refer note 20)		
– at $0.50 per share on or before 20 June 2008	500,000	750,000
– at $0.75 per share on or before 30 June 2010	600,000	800,000
– at $2.89 per share on or before 30 June 2011	400,000	–
– at $2.67 per share on or before 30 June 2011	600,000	–
	2,100,000	1,550,000

Information relating to the employee option plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 20.

18. Reserves

	Net unrealised gains reserve	Equity benefits reserve	Currency translation reserve	Total
Consolidated	$	$	$	$
At 30 June 2006	(113,182)	325,441	(1,024,547)	(812,288)
Unrealised gain / (loss) on available-for-sale financial assets	507,240	–	–	507,240
Currency translation differences	–	–	(2,135,913)	(2,135,913)
Share and option-based payments	–	721,852	–	721,852
At 30 June 2007	394,058	1,047,293	(3,160,460)	(1,719,109)
Unrealised gain / (loss) on available-for-sale financial assets	(394,058)	–	–	(394,058)
Currency translation differences	–	–	(10,287,475)	(10,287,475)
Share and option-based payments	–	(58,193)	–	(58,193)
At 30 June 2008	**–**	**989,100**	**(13,447,935)**	**(12,458,835)**
Parent	$	$	$	$
At 30 June 2006	(113,182)	325,441	–	212,259
Unrealised gain / (loss) on available-for-sale financial assets	507,240	–	–	507,240
Currency translation differences	–	–	–	–
Share and option-based payments	–	721,852	–	721,852
At 30 June 2007	394,058	1,047,293	–	1,441,351
Unrealised gain / (loss) on available-for-sale financial assets	(394,058)	–	–	(394,058)
Currency translation difference	–	–	–	–
Share and option-based payments	–	(58,193)	–	(58,193)
At 30 June 2008	**–**	**989,100**	**–**	**989,100**

Nature and purpose of reserves

Net unrealised gains reserve

This reserve records fair value changes on available for sale investments.

Foreign currency translation reserve

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

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 27

	Consolidated		Parent entity	
	2008 $	2007 $	2008 $	2007 $
19. Accumulated Losses				
Balance as at 1 July 2007	**(26,709,252)**	(15,592,577)	**(28,763,633)**	(16,597,326)
Net profit / (loss) for the year	**9,862,186**	(11,116,675)	**(3,384,625)**	(12,166,307)
Balance as at 30 June 2008	**(16,847,066)**	(26,709,252)	**(32,148,258)**	(28,763,633)

20. Share Based Payments

(a) Employee Option Plan

An employee incentive option plan was approved at the 2007 annual general meeting. The Company's existing option plan, which was approved by shareholders on 30 November 2005, has expired.

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

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

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

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

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

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

20. Share Based Payments

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

Consolidated and parent entity – 2008

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Balance at the end of the year	Vested and exercisable at end of year
			Number	Number	Number	Number	Number
20 Apr 2006	30 Jun 2009	$0.50	750,000	–	(250,000)	500,000	500,000
17 Oct 2006	30 Jun 2010	$0.75	800,000	–	(200,000)	600,000	300,000
17 Mar 2008	30 Jun 2011	$2.89	–	400,000	–	400,000	–
17 Mar 2008	30 Jun 2011	$2.67	–	600,000	–	600,000	–
Total			1,550,000	1,000,000	(450,000)	2,100,000	800,000
Weighted average exercise price			$0.63	$2.76	$0.61	$1.65	$0.59

Consolidated and parent entity – 2007

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Balance at the end of the year	Vested and exercisable at end of year
			Number	Number	Number	Number	Number
20 Apr 2006	30 Jun 2009	$0.50	750,000	–	–	750,000	375,000
17 Oct 2006	30 Jun 2010	$0.75	–	1,000,000	(200,000)	800,000	–
Total			750,000	1,000,000	(200,000)	1,550,000	375,000
Weighted average exercise price			$0.50	$0.75	$0.75	$1.65	$0.50

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

The weighted average share price at the date of exercise of options during the year ended 30 June 2008 was $2.82 (2007: not applicable).

The assessed fair values at grant date at options granted during the year ended 30 June 2008 was $1.09 and $1.14 respectively 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.

Notes to the financial statements (continued)

For the year ended 30 June 2008

20. Share based payments (continued)

The model inputs for options granted during the year ended 30 June 2008 included:

		Options granted at $2.89 per share	Options granted at $2.67 per share
(i)	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		
(ii)	Share price at grant date	$2.80	$2.80
(iii)	Share price volatility of the Company's shares	63.33%	63.33%
(iv)	Expected dividend yield	Nil	Nil
(v)	Risk-free interest rate	6.39%	6.39%

(b) Employee share plan

An employee incentive share plan was approved at the 2007 Annual General Meeting. The Company's existing share plan, which was approved by shareholders on 30 November 2005, has expires.

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.

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

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

20. Share based payments (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).

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

Consolidated and parent entity – 2008

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Balance at the end of the year	Vested and exercisable at end of year
			Number	Number	Number	Number	Number
21 Dec 2005	21 Dec 2009	$0.50	3,800,000	–	(3,175,000)	625,000	635,000
20 Dec 2006	20 Dec 2010	$0.90	300,000	–	(30,000)	270,000	120,000
17 Mar 2008	30 Jun 2011	$2.89	–	500,000	–	500,000	–
17 Mar 2008	30 Jun 2001	$2.67	–	33,000	–	33,000	–
Total			4,100,000	533,000	(3,205,000)	1,428,000	755,000

Consolidated and parent entity – 2007

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Balance at the end of the year	Vested and exercisable at end of year
			Number	Number	Number	Number	Number
21 Dec 2005	21 Dec 2009	$0.50	3,850,000	–	(50,000)	3,800,000	1,925,000
20 Dec 2006	20 Dec 2010	$0.90	–	300,000	–	300,000	–
Total			3,850,000	300,000	(50,000)	4,100,000	1,925,000

	Consolidated		Parent entity	
	2008 $	2007 $	2008 $	2007 $
Options issued under employee option plan	464,641	480,529	464,641	480,529
Shares issued under employee share plan	209,174	314,648	209,174	314,648
	673,815	795,177	673,815	795,177

	Consolidated		Parent entity	
	2008 $	2007 $	2008 $	2007 $
21. Financial Instruments				
(a) Capital risk management				
The Company has no debt facilities outside of normal creditor trading terms and thus the board does not deem it necessary for a formal Capital Risk Management Charter.				
(b) Categories of financial instruments				
Financial assets				
Loans and receivables	15,886,145	838,747	743,690	92,188
Cash and cash equivalents	43,623,564	56,225,793	32,938,264	51,760,438
Available for sale financial assets	2,252,098	1,516,290	2,252,098	1,516,290
	61,761,807	58,580,830	35,934,052	53,368,916
Financial liabilities				
Financial liabilities	2,983,480	3,408,524	170,544	731,299
	2,983,480	3,408,524	170,544	731,299

(c) Financial risk management objectives

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

(d) Market risk

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

There has been no change at the reporting date to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the denomination in which metal prices are determined and year end assets and liabilities are converted.

Year-end cash balances in British Pounds

A variance of 10% on the exchange rate of the Australian Dollar to the British Pound would result in a gain of $2,970,695 (2007: gain of $4,681,574) or a loss of $2,970,695 (2007: loss of $4,681,574) to the parent entity and on a Group level.

(ii) Price risk

Trade receivables at year-end

Commodity prices are set in US Dollars. A variance of 10% in commodity prices or the exchange rate of the US$ to the South African Rand, in which commercial activity is undertaken, will result in a gain of A$1,095,402 or a loss of the same amount on a Group level.

21. Financial Instruments (continued)

(d) Market risk (continued)

(iii) 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 arises from long term borrowings, relating to finance leases on motor vehicles and equipment.

	30 June 2008		30 June 2007	
	Weighted average interest rate %	Balance $	Weighted average interest rate %	Balance $
Cash balances	6.71	43,623,564	4.77	32,938,264
Borrowings (finance leases)	16.65	329,372	12.55	113,043

(e) Foreign currency risk management

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

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

	Liabilities		Assets	
	2008 $	2007 $	2008 $	2007 $
Great British Pounds (GBP)	–	–	32,677,647	51,497,317
South African Rand (ZAR)	(5,933,349)	(2,206,786)	11,441,046	5,951,759

(f) Foreign currency sensitivity analysis

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

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

Notes to the financial statements (continued)

For the year ended 30 June 2008

21. Financial Instruments (continued)

(f) Foreign currency sensitivity analysis (continued)

	GBP Impact			
	Consolidated		Company	
	2008 $	2007 $	2008 $	2007 $
Profit or loss (i)	2,970,695	4,681,574	2,970,695	4,681,574
Other equity	–	–	–	–

(i) This is mainly attributable to the exposure outstanding on GBP cash balances at year end.

	ZAR impact			
	Consolidated		Company	
	2008 $	2007 $	2008 $	2007 $
Profit or loss (i)	1,737,440	(407,535)	–	–
Other equity	–	–	–	–

(i) This is mainly attributable to the exposure outstanding on ZAR receivables and payables at year end.

(g) Interest rate risk management

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

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

Interest rate risk sensitivity analysis

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

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's:

- Net profit after tax and equity would increase by approximately $142,358 and decrease by $142,358 (2007: $191,234). This is mainly attributable to the Group's exposure to interest rate fluctuations on cash balances and lease liabilities.

(h) Credit risk management

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

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

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

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

21. Financial Instruments (continued)

(i) Liquidity risk management

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

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

Consolidated	Weighted average effective interest rate	Less than 1 month	1 – 3 months	3 months – 1 year	1 – 5 years	5+ years
2008	%	$	$	$	$	$
Non-interest bearing	–	–	2,654,108	–	–	–
Finance lease liability	14.65	–	–	121,118	307,757	–
Variable interest rate instruments	–	–	–	–	–	–
Fixed interest rate instruments	–	–	–	–	–	–
	–	–	2,654,108	121,118	307,757	–
2007	%	$	$	$	$	$
Non-interest bearing	–	–	3,295,481	–	–	–
Finance lease liability	12.55	–	–	35,205	110,711	–
Variable interest rate instruments	–	–	–	–	–	–
Fixed interest rate instruments	–	–	–	–	–	–
	–	–	3,295,481	35,205	110,711	–

Parent	Weighted average effective interest rate	Less than 1 month	1 – 3 months	3 months – 1 year	1 – 5 years	5+ years
2008	%	$	$	$	$	$
Non-interest bearing	–	–	170,544	–	–	–
Finance lease liability	–	–	–	–	–	–
Variable interest rate instruments	–	–	–	–	–	–
Fixed interest rate instruments	–	–	–	–	–	–
	–	–	170,544	–	–	–
2007	%	$	$	$	$	$
Non-interest bearing	–	–	731,299	–	–	–
Finance lease liability	–	–	–	–	–	–
Variable interest rate instruments	–	–	–	–	–	–
Fixed interest rate instruments	–	–	–	–	–	–
	–	–	731,299	–	–	–

Notes to the financial statements (continued)

For the year ended 30 June 2008

21. Financial Instruments (continued)

(i) Liquidity risk management (continued)

Consolidated	Weighted average effective interest rate	Less than 1 month	1 – 3 months	3 months – 1 year	1 – 5 years	5+ years
2008	%	$	$	$	$	$
Non-interest bearing	–	–	15,886,145	–	–	2,252,098
Finance lease liability	–	–	–	–	–	–
Variable interest rate instruments	6.71	42,555,925	1,077,482	–	–	–
Fixed interest rate instruments	–	–	–	–	–	–
		42,555,925	16,963,627	–	–	2,252,098
2007	%	$	$	$	$	$
Non-interest bearing	–	–	838,747	–	–	1,516,290
Finance lease liability	–	–	–	–	–	–
Variable interest rate instruments	4.77	50,705,801	5,566,437	–	–	–
Fixed interest rate instruments	–	–	–	–	–	–
		50,705,801	6,405,184	–	–	1,516,290

Consolidated	Weighted average effective interest rate	Less than 1 month	1 – 3 months	3 months – 1 year	1 – 5 years	5+ years
2008	%	$	$	$	$	$
Non-interest bearing	–	–	743,690	–	–	2,252,098
Finance lease liability	–	–	–	–	–	–
Variable interest rate instruments	5.82	31,870,625	1,077,482	–	–	–
Fixed interest rate instruments	–	–	–	–	–	–
		31,870,625	1,821,172	–	–	2,252,098
2007	%	$	$	$	$	$
Non-interest bearing	–	–	92,188	–	–	1,516,290
Finance lease liability	–	–	–	–	–	–
Variable interest rate instruments	4.77	46,240,446	5,566,437	–	–	–
Fixed interest rate instruments	–	–	–	–	–	–
		46,240,446	5,658,625	–	–	1,516,290

(j) Fair value of financial instruments

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

	Consolidated		Parent entity	
	2008 $	2007 $	2008 $	2007 $

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

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

	Consolidated 2008 $	Consolidated 2007 $	Parent entity 2008 $	Parent entity 2007 $
Profit / (Loss) from ordinary activities	11,686,999	(11,116,675)	(3,384,625)	(12,166,307)
Administration fee charged to controlled entities	–	–	(2,435,916)	(984,569)
Depreciation	1,505,716	405,645	8,848	12,155
Joint venture cash distribution	3,478,500	1,534,253	–	–
Equity accounted net profit from joint venture	(4,282,226)	(1,649,511)	–	–
Capital (gain) on sale of non-current assets	5,508	(299,915)	5,508	85
Net (gain) / loss on sale of available-for-sale financial assets	503,267	(291,098)	503,267	(291,098)
Write off of investment	58,687	–	58,687	–
Impairment of available for sale assets	2,567,345	–	2,567,345	–
Diminution in value of loans	–	–	–	(360,424)
Net foreign exchange differences	4,594,987	2,657,846	4,594,987	2,654,795
Project generation costs	–	5,546,000	–	5,546,000
Share-based compensation	673,815	795,177	673,815	795,177
Impairment of loan to controlled entity	–	–	(2,916,291)	2,451,453
(Increase)/decrease in prepayments & other debtors	(327,525)	(687,065)	(170,848)	(9,726)
(Increase)/decrease in debtors	(14,378,302)	–	–	–
(Increase)/decrease in accrued interest	(405,654)	–	–	–
(Increase)/decrease in GST/VAT recoverable	172,372	–	–	–
(Increase)/decrease in inventories	(265,575)	–	–	–
(Increase)/decrease in deferred tax asset	–	(351,892)	–	–
(Increase)/decrease in other operating assets	–	–	(49,550)	–
Net exchange differences on payment to suppliers and employees	(1,368,165)	–	–	–
Increase/(decrease) in trade creditors	(160,374)	–	–	–
Increase/(decrease) in accruals and other creditors	833,415	301,901	(855,113)	(19,880)
Increase/(decrease) in GST/VAT recoverable	340,514	–	–	–
Increase/(decrease) in group tax clearing	(46,185)	–	–	–
Increase/(decrease) in income tax expense	5,346,659	–	–	–
Net cash inflow/(outflow) from operating activities	10,533,778	(3,155,334)	(1,399,886)	(2,372,339)

(b) Non-cash financing and investing activities

During the 2008 financial year 3,000,000 shares in the company were issued at a deemed issue price of $2.89 to Portpatrick Inc as consideration for the facilitation to treat all run of mine fines from Samancor Chrome's Broken Hill, Spitzkop and Buffelsfontein East sites, pursuant to the Co-operation Agreement with Portpatrick Inc dated 9 December 2005.

23. Commitments and contingencies

(a) Operating lease commitments

Office premises

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

	Consolidated 2008 $	Consolidated 2007 $	Parent entity 2008 $	Parent entity 2007 $
Future minimum lease payments (net of GST) as at 30 June 2008 are as follows:				
Within 1 year	**101,137**	80,891	**25,348**	71,892
After 1 year but not more than 5 years	**301,752**	41,937	**–**	41,937
More than 5 years	**–**	–	**–**	–
	402,889	122,828	**25,348**	113,829

Office equipment

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

Future minimum lease payments (net of GST) as at 30 June 2008 are as follows:

	Consolidated 2008 $	Consolidated 2007 $	Parent entity 2008 $	Parent entity 2007 $
Within 1 year	**10,644**	5,458	**–**	–
After 1 year but not more than 5 years	**42,505**	12,736	**–**	–
More than 5 years	**–**	–	**–**	–
	53,149	18,194	**–**	–

Finance lease commitments

Motor vehicles

Sylvania Metals (Pty) Limited entered into five lease agreements during the period in respect of four motor vehicles and one heavy duty forklift.

Future minimum lease payments (net of GST) as at 30 June 2008 are as follows:

	Consolidated 2008 $	Consolidated 2007 $	Parent entity 2008 $	Parent entity 2007 $
Within 1 year	**78,074**	21,988	**–**	–
After 1 year but not more than 5 years	**301,752**	91,055	**–**	–
More than 5 years	**–**	–	**–**	–
	379,826	113,043	**–**	–

	Consolidated		Parent entity	
	2008 $	2007 $	2008 $	2007 $

23 Commitments and contingencies (continued)

Commitments for plant construction				
At 30 June 2008 commitments were signed for construction of Lannex and Mooinooi plants.				
Within 1 year	6,884,800	–	–	–
After 1 year but not more than 5 years	–	–	–	–
More than 5 years	–	–	–	–
	6,884,800	–	–	–

Additional costs to complete the plants before 30 June 2009 are estimated to the $25,553,200.

(b) Contingencies

(i) Contingent liabilities

The parent entity and Group had no contingent liabilities as at 30 June 2008.

(ii) Contingent assets

On 10 January 2007, the directors of the Company signed two Shareholder Agreements (the "Agreements") with Ehlobo Metals (Pty) Limited ("Ehlobo"). The agreements relate to the Company's subsidiaries, Sylvania Metals (Pty) Limited ("SLV Metals") and Sylvania Minerals (Pty) Limited ("SLV Minerals").

Under the terms of the agreements, Ehlobo acquired a 26% interest in both SLV Metals and SLV Minerals on the condition that Ehlobo's shareholders will be and thereafter will remain historically disadvantaged South Africans ("HDSA's") such that SLV Metals and SLV Minerals continue to satisfy the requirements of the South African Legislation and the South African Mining Charter aimed at encouraging the participation of HDSA's in the mining industry in South Africa.

Under the terms of the agreements, Ehlobo committed to contribute $8.5million (ZAR64million) towards the initial capital requirements of SLV Metals and SLV Minerals. This amount was estimated to equate to 26% of the initial capital requirements of SLV Metals. The Company having committed to contribute the remaining 74% of the initial capital requirements (which it has done) and to assist Ehlobo to raise its required capital contributions. It was originally anticipated that Ehlobo would have made its initial capital contribution by August 2007.

As at the date of this report the Company continues to assist Ehlobo in their endeavours to obtain finance to enable Ehlobo to contribute their committed initial capital. Under the original agreement the Company may at its sole discretion terminate the agreement with Ehlobo's 26% interest in SLV Metals and SLV Minerals being returned to Sylvania should Ehlobo not be able to fund its original commitment as per the agreements. Commercial discussions between Sylvania and Ehlobo have commenced which may result in an amendment/replacement of the mechanism by which Ehlobo meets its initial capital contribution obligations.

As a result of the above position the contingent asset, being the initial capital contribution due from Ehlobo amounting to $8.5million (ZAR64million), has not been recognised as a receivable in the Group accounts at 30 June 2008.

Notes to the financial statements (continued)

For the year ended 30 June 2008

	Consolidated 2008 $	Consolidated 2007 $

24. Interest in joint venture

	2008 $	2007 $
Retained earnings attributable to interest in jointly controlled entity		
Balance at beginning of financial period	1,251,596	1,136,338
Distribution received from jointly controlled entity	(3,478,500)	(1,534,253)
Share of jointly controlled entity's profit from ordinary activities after income tax	5,021,508	1,649,511
Balance at end of financial period	2,794,604	1,251,596
Reserves attributable to interest in jointly controlled entity	–	–
	–	–
Carrying amount of investment in jointly controlled entity		
Balance at beginning of the financial period	5,271,740	4,761,496
Management fees raised in period	–	394,986
Other	839,560	–
Distribution received from jointly controlled entity	(3,478,500)	(1,534,253)
Distribution received in respect of management fees	(739,282)	–
Share of jointly controlled entity's profit from ordinary activities, after income tax	5,021,508	1,649,511
Balance at end of financial period	6,915,025	5,271,740
Foreign currency translation movements		
Balance at beginning of financial period	(579,420)	(849,423)
Movement during the financial period	(1,931,138)	270,003
Balance at end of financial period	(2,510,558)	(579,420)
	4,404,467	4,692,320
Share of joint venture entity's results and financial position		
Current assets	2,808,520	2,597,933
Non-current assets	906,185	1,315,026
Total assets	3,714,705	3,912,959
Current liabilities	407,829	2,174,959
Non-current liabilities	6,019	–
Total liabilities	413,848	2,174,959
Revenue	6,164,053	3,512,510
Expenses	(1,881,827)	(1,862,999)
Management fees	739,282	–
Profit from ordinary activities before income tax	5,021,508	1,649,511
Income tax expense	–	–
Profit from ordinary activities after income tax	5,021,508	1,649,511

24. Interest in joint venture (continued)

Contingencies and commitments

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

25. Events after the balance sheet date

On 22 August 2008 – 950,000 ordinary shares were issued in terms of the Company's employee share plan at an issue price of $1.63 per share. In addition 3,383,000 options in terms of the Company's employee option plan were issued to employees and consultants of the Company that are exercisable at $1.63 each on or before 30 June 2011.

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

26. Auditors' remuneration

	Consolidated		Parent entity	
	2008 $	2007 $	2008 $	2007 $
The auditors of the parent entity are HLB Mann Judd				
Assurance services				
HLB Mann Judd Australian firm:				
Audit and review of financial statements	40,000	63,000	40,000	63,000
Related practices of HLB Mann Judd:				
(HLB Barnett Chown Inc)	–	10,663	–	–
Non-HLB Mann Judd practice (LA Gambale)	59,501	12,767	–	–
Total remuneration for audit services	99,501	86,430	40,000	63,000
Taxation services				
HLB Mann Judd Australian firm:				
Tax compliance services, including review of Company income tax returns	–	–	–	–
Related practices of HLB Mann Judd:				
(HLB Barnett Chown Inc)	–	–	–	–
Non-HLB Mann Judd practice (LA Gambale)	739	–	–	–
Total remuneration for taxation services	739	–	–	–
Advisory services				
HLB Mann Judd Australian firm:				
Services in respect of AIM Listing	–	25,000	–	25,000
Other	3,726	4,750	–	4,750
Total remuneration for advisory services	3,726	29,750	–	29,750
Total auditors' remuneration	103,966	116,180	40,000	92,750

Notes to the financial statements (continued)

For the year ended 30 June 2008

27. Key Management Personnel Disclosure

(a) Directors

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

Chairman – non-executive
R D Rossiter

Executive directors

T M McConnachie	Managing Director
L M Carroll	Financial Director (appointed 15 August 2007)

Non-executive directors

Dr AP Ruiters	
J Cooke	(appointed 18 August 2008)

The following persons were directors from the beginning of the financial year until their resignation:

E F G Nealon	(resigned 15 August 2007)
M J Sturgess	(resigned 15 August 2007)
K S Huntly	(resigned 15 August 2007)
Dr E Kirby	(resigned 18 August 2008)

(b) Other key management personnel

M J Langoulant	Company Secretary
J Meyer	General Manager: Business Development
Z Marinkovic	Director: Sylvania Metals (Pty) Limited
C De Vos	Internal Legal Advisor
P R Carter	General Manager: Capital Projects
G Haasbroek	General Manager: Operations

(c) Key management personnel compensation

	Consolidated		Parent entity	
	2008 $	2007 $	2008 $	2007 $
Short-term	**2,368,591**	2,231,329	**556,898**	1,043,622
Post employment	**6,710**	29,971	**3,560**	29,971
Share-based payments	**505,100**	770,063	**202,130**	289,534
	2,880,401	3,031,363	**762,588**	1,363,127

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

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

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

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

27. Key management disclosure (continued)

(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

2008	Shares issued	Paid per share (note 20)	Unpaid per share (note 20)
Name	Number	$	$
K S Huntly	250,000	$0.50	–
J Meyer	100,000	$0.75	–
C De Vos	100,000	$0.75	–

2007	Shares issued	Paid per share (note 20)	Unpaid per share (note 20)
Name	Number	$	$
Z Marinkovic	200,000	$0.75	–

(g) Option holding

Name	Balance at start of the year	Granted during the year	Exercised during the year	Other changes during the year	Balance at end of the year	Vested and exercisable at end of the year
2008						
Director						
T M McConnachie	500,000	–	–	–	500,000	500,000
Dr A P Ruiters	–	200,000	–	–	200,000	–
L M Carroll	200,000	–	–	–	200,000	100,000
K S Huntly	250,000	–	(250,000)	–	–	–
Key management personnel						
J Meyer	200,000	–	(100,000)	–	100,000	–
C De Vos	200,000	–	(100,000)	–	100,000	–
P R Carter	200,000	–	–	–	200,000	100,000
G Haasbroek	–	200,000	–	–	200,000	–

For the year ended 30 June 2008

27. Key management disclosure (continued)

(g) Option holding (continued)

Name	Balance at start of the year	Granted during the year	Exercised during the year	Other changes during the year	Balance at end of the year	Vested and exercisable at end of the year
2007						
Director						
T M McConnachie	500,000	–	–	–	500,000	250,000
L M Carroll	–	200,000	–	–	200,000	–
K S Huntly	250,000	–	–	–	250,000	125,000
Key management personnel						
J Meyer	–	200,000	–	–	200,000	–
C De Vos	–	200,000	–	–	200,000	–
P R Carter	–	200,000	–	–	200,000	–
Z Marinkovic	–	200,000	200,000	–	–	–

(Refer to note 27(f))

(h) Shareholding of key management personnel (consolidated)

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

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
2008				
Director				
R D Rossiter	32,000	500,000	–	532,000
Dr E Kirby	764,300	–	(375,000)	389,300
E F G Nealon	750,000	–	(750,000)	–
G M Button	750,000	–	(750,000)	–
M J Sturgess	752,600	–	(750,000)	2,600
Key management personnel				
M J Langoulant	350,000	–	(100,000)	250,000
2007				
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 Jarvis	–	200,000	–	200,000
M L Burchnall	–	100,000	–	100,000

27. Key management disclosure (continued)

All equity transactions with key management personnel other than those arising under the Group's Incentive Option Plan (Note 27(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).

28. Related party disclosure

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

Name of entity	Country of incorporation	Class of shares	Equity Holding 2008 %	Balance at the end of the year 2007 %
Twinloop Nominees (Pty) Ltd	Australia	Ordinary	100	100
Sylvania Holdings Limited	Mauritius	Ordinary	100	100
Aralon Holdings Limited	Mauritius	Ordinary	100	100
Sylvania South Africa (Pty) Ltd	South Africa	Ordinary	100	100
Sylvania Metals (Pty) Ltd	South Africa	Ordinary	74	100
Sylvania Minerals (Pty) Ltd	South Africa	Ordinary	74	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 loan advances by Sylvania Resources Limited.

(b) Loans to/from related parties

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

	Consolidated		Consolidated	Parent entity	
	2008 Maximum balance outstanding $	2008 Year end balance $	2007 Year end balance $	2008 Year end balance $	2007 Year end balance $
Loans to related parties					
Alumicor Maritzburg (Pty) Ltd	150	150	5,004	–	–
Danyland Mining SA (Pty) Ltd	27,076	8,226	5,951	–	–
Dwyka Resources Ltd	2,021	2,038	–	–	–
Ehlobo Metals (Pty) Ltd	–	291,280	166,800	–	–
Magnum Tantalite (Pty) Ltd	174,328	11,009	–	–	–
Tameka Shelf Company Four (Pty) Ltd	2,648	368	(1,281,921)	100	–
Washington Resources Ltd	2,607	2,607	–	–	–
	208,830	315,678	(1,104,166)	100	–

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

For the year ended 30 June 2008

28. Related party disclosure (continued)

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

Terms and conditions

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

The loan to Ehlobo is a long term loan, and no interest is charged on this loan.

Outstanding balances are unsecured and are repayable in cash.

(c) Joint venture in which the entity is a venture

The Group has a 25% interest in the assets, liabilities and output of an un-incorporated joint venture, CTRP, which operates a chrome tailings retreatment plant at Kroondal in South Africa (2007: 25%).

Terms and conditions with related parties

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

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

Additional information for listed public companies

Shareholders profile as at 24 September 2008

A Issued capital

Employee Share Plan

The issued share capital figure includes 1,428,000 shares to be allocated to employees under the Company's share incentive plan.

Employee Option Plan

There are currently 2,100,000 options over ordinary shares in issue held by the directors and employees of the Company.

B. Distribution of shareholders

	Number of shareholders
1 – 1,000	84
1,001 – 5,000	162
5,001 – 10,000	136
10,001 – 100,000	198
100,001 and over	112
Total	**692**

Total number of fully paid shares on issue	180,962,273
Percentage holding of 20 largest holders	60.55%

C. Substantial shareholders

Shareholder	Number of shares fully paid shares	Percentage fully paid shares
Audley Capital Advisors LLP	34,810,332	19.24
Credit Suisse Asset Management Australia Ltd	15,624,787	8.63
Credit Suisse Asset Management Limited (ODEY)	15,624,784	8.63
JP Morgan Asset Management U.K. Limited	13,988,300	7.73
Henderson Global Investors Ltd	6,326,200	3.50
J O Hambro Capital Management Ltd	6,115,560	3.38
	92,489,963	

Additional information for listed public companies (continued)

Shareholders profile as at 24 September 2008

D. Twenty largest holders of fully paid shares

Shareholder			
1	Audley Capital Advisors LLP	34,810,332	19.24
2	Credit Suisse Asset Management Australia Ltd	15,624,787	8.63
3	Credit Suisse Asset Management Limited (ODEY)	15,624,784	8.63
4	JP Morgan Asset Management U.K. Limited	13,988,300	7.73
5	Henderson Global Investors Ltd	6,326,200	3.50
6	J O Hambro Capital Management Ltd	6,115,560	3.38
7	DWS Investments	3,343,500	1.85
8	Colonial First State Global Asset Management (Core)	2,970,090	1.64
9	J O Hambro Investment Management Ltd	2,414,589	1.33
10	Majedie Asset Management Ltd	2,050,000	1.13
11	New City Investment Managers Ltd	1,700,000	0.94
12	Elysian Fund Management Ltd	1,000,000	0.55
13	Almondbury (Christopher Robert Rogerson)	875,000	0.48
14	Baker Steel Capital Managers LLP	580,000	0.32
15	Standard Bank Jersey Ltd	500,000	0.28
16	Wilson Asset Management (International) Pty Ltd	456,187	0.25
17	Kirby (Evan)	389,300	0.22
18	Deutsche Bank Private Wealth Management Ltd	300,000	0.17
19	Odey Asset Management LLP	265,300	0.15
20	Newton Investment Management Ltd	230,000	0.13
		109,563,929	

E. VOTING RIGHTS

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

Ordinary shares

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

Glossary of terms

The following definitions apply throughout the annual financial statements:

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

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