SYLVASTATE

QUARTERLY REPORT

QUARTER ENDED 31 MAY 2010

Performance Summary

At 31 May 2010

	Last Quarter %	One Year %	Three Years %***	Ten Years %***
Before Tax Returns				
Total Portfolio	(4.502%)	22.280%	(9.241%)	7.560%
Benchmark*	(4.279%)	25.170%	(9.729%)	5.843%
After Tax Returns				
Net Asset Backing (pre-tax)**1	(5.006%)	17.056%	(11.265%)	5.671%
Net Asset Backing (post-tax)**2	(2.999%)	14.516%	(6.193%)	7.069%
Share Price	(2.757%)	31.087%	(9.827%)	6.981%

* ASX 200 All Industrials (XJIAI) ** Including Dividends *** Annualised

1 Investment returns based on net asset backing (pre-tax) represent the investment return prior to any provision for capital gains tax on investments which have not been sold at balance date, but are after the payment of tax at company rates on income and on capital gains on investments which have been sold.

2 Investment returns based on net asset backing (post-tax) represent the investment return after making a provision for capital gains tax on investments held but not sold, and are after the payment of tax at company rates on income and on capital gains on investments which have been sold

Financial Outcomes

	9 Months to 31 May 10	9 Months to 31 May 09	% Change
Investment Revenue	$2,254,485	$2,499,106	(9.8%)
Profit Before Tax & Realised Gains	$2,045,743	$2,306,955	(11.3%)
Income Tax Benefit/(Expense)	$67,336	$114,916	(41.4%)
Profit After Tax before Realised Gains	$1,978,408	$2,192,039	(9.7%)
Earnings before Realised Gains Per Share	12.0cps	12.8cps	(6.6%)

Results Commentary

Sylvastate reports an operating profit after tax and before realised capital gains of $1,978,408 for the nine months to 31 May 2010. This outcome amounts to 12.0 cents per share. Earnings per share for the period were 6.6% below the earnings in the equivalent nine months in the previous financial year.

The fall in earnings reflects the cuts to dividends announced by many companies in the Australian market over the last year. With the underlying earnings of many of these companies now growing, and access to capital improving, we expect to see a progressive rise in dividend earnings across Sylvastate's portfolio of investments. Sylvastate's own reported earnings are consequently expected to show a reasonable degree of growth as we move through the 2010 calendar year and into 2011.

Sylvastate's investment portfolio generated a return of (4.5%) for the last quarter. This return was slightly below the All Industrials Accumulation Index over the same period of (4.3%). Over the last 12 months Sylvastate's portfolio return amounts to 22.28%, and its return over the last 10 years amounts to 7.56% per annum. Sylvastate's investment portfolio has outperformed the All Industrials Accumulation Index over 3 year, 5 year and 10 year periods.

Sylvastate's net asset backing (pre tax) amounted to $3.59 per share at 31st May. The post-tax asset backing (including a provision for a deferred tax benefit on unrealised capital losses net of gains) amounted to $3.82 per share.

Strongest returns for the last quarter were generated from the company's investments in Cochlear, Resmed, News Corporation, Amcor, Orica and Seven Group.

Net Tangible Assets

At 31 May 2010

NTA (post-tax)	$62.7 million
Shares on Issue	16,386,161
NTA per share (pre-tax)	$3.59
NTA per share (post-tax)	$3.82
Share Price	$3.50
(Discount)/Premium to NTA (pre-tax)	(2.51%)
(Discount)/Premium to NTA (post-tax)	(8.38%)

Top 20 Holdings

At 31 May 2010

	$'000	Fund%
Whitefield Limited	9,238	15.7%
CBA	5,422	9.2%
Westpac Banking Corporation	4,580	7.8%
ANZ Banking Group Limited	3,930	6.7%
National Australia Bank Limited	3,882	6.6%
Wesfarmers Limited	2,442	4.2%
Macquarie Group Limited	2,201	3.8%
Telstra Limited	2,102	3.6%
Woolworths Limited	1,994	3.4%
QBE Insurance Group Limited	1,808	3.1%
Fairfax Media Limited	1,667	2.8%
News Corp. Class A Non Voting	1,598	2.7%
Toll Holdings Limited	1,194	2.0%
ResMed Inc.	1,048	1.8%
Asciano Group Limited	983	1.7%
Seven Group Holdings Limited	975	1.7%
CSL Limited	943	1.6%
AMP Limited	830	1.4%
MAP Group	809	1.4%
Intoll Group	688	1.2%

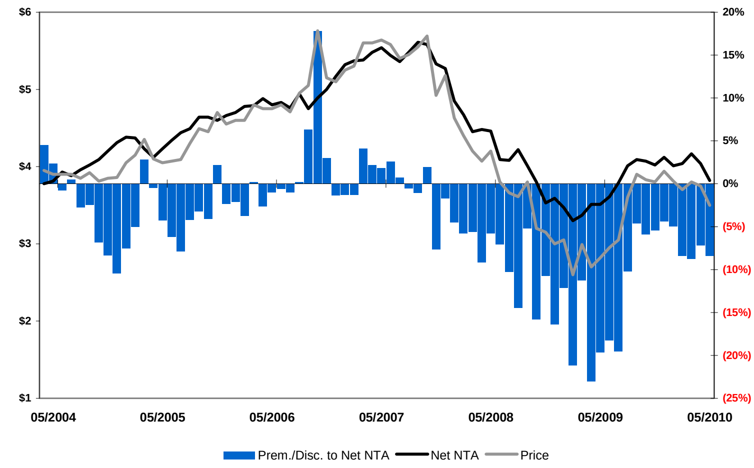
Sector Breakdown*

At 31 May 2010

	Fund %
Banks	37.06%
Industrials	15.09%
Financials Excluding Banks	14.37%
Consumer Discretionary	10.16%
Consumer Staple	9.23%
Health Care	5.29%
Telecommunication Services	4.37%
Materials	3.50%
Utilities	0.93%

*Excluding Whitefield Ltd

Sylvastate Ltd Premium Discount to Net NTA and Share Price



Changes to Investment Exposures

During the quarter material changes to investment exposures included:

- Increasing exposure to QBE and Harvey Norman

Dividend

Notwithstanding the cuts in dividends across the Australian share market, Sylvastate expects to maintain its final dividends to shareholders at the same rate as the prior year. This process not only provides Sylvastate shareholders with continuing consistency of income flows, but is also providing investors with a net release of franking credits, an action of particular benefit to super fund and low rate taxpayers.

Outlook

Investors around the world, including Sylvastate, are understandably concerned with the high levels of indebtedness of governments such as Spain, Ireland, Greece, Portugal, Japan and the United States. Coupled with a still fragile global banking system, and the necessity for these governments to constrain spending, these influences have the potential to delay or extend the timeline necessary for a more fulsome economic recovery to be achieved.

Nevertheless, many important global economic fundamentals continue to improve. Employment, manufacturing activity, retail spending, construction and corporate profits in many economies have been progressively improving, and in many instances are likely to be higher again in six months time than today.

The majority of larger companies are more financially resilient now than one year ago: profits and available cash are higher and debt levels lower. Government revenues, generally linked to business profits, consumer spending and incomes are steadily rising.

While governments in Europe are grappling with the passing of austerity measures and the provision of support to weaker financial institutions, these actions can ultimately prove beneficial. As the 2009 year illustrated such actions which reduce risk, ultimately lower the cost of debt. Currency falls are already resulting in a material uplift in exports and manufacturing, and a progressive rather than rapid recovery may lower the risk of inflation.

On balance, we currently consider that the threat to stable economic growth presented by problems in Europe will ultimately be outweighed by the underlying drivers of a more broadly based economic recovery.

In the near term investment markets may need to see further evidence of the progress of an economic recovery before the fear factor can be dispelled.

Sylvastate's portfolio continues to provide investors with a diversified exposure to the broad outlook for economic growth in Australia, and has a low direct exposure to any adverse impact from the introduction of mining taxes in this country.

Angus Gluskie, Chief Executive Officer

S Y L V A S T A T E

QUARTERLY REPORT

QUARTER ENDED 28 FEBRUARY 2010

Top 5 Contributors to Performance for the Quarter

At 31 May 2010

	Portfolio weight %	Contribution* %
ResMed Inc.	1.79%	0.209%
News Corp. Class A Non Voting	2.72%	0.104%
Woolworths Limited	3.40%	0.049%
Cochlear Limited	0.45%	0.044%
Orica Limited	0.90%	0.025%

*Contribution = weighted contribution to investment performance

Top 5 Detractors to Performance for the Quarter

At 31 May 2010

	Portfolio weight %	Contribution* %
Westpac Banking Corp.	7.81%	(0.783%)
Whitefield Limited	15.75%	(0.604%)
Commonwealth Bank of Australia	9.24%	(0.478%)
Alesco Corp. Limited	0.85%	(0.451%)
National Australia Bank Limited	6.62%	(0.231%)

*Contribution = weighted contribution to investment performance

Company Information

Sylvastate Limited
Level 7, 20 Hunter Street, Sydney NSW 2000
GPO Box 473, Sydney NSW 2001

Phone: +61 (02) 8215 7900
Fax: +61 (02) 8215 7901
www.sylvastate.com.au

Share Registry

Computershare Investor Services Pty Ltd
Level 2, 60 Carrington Street, Sydney NSW 2000

Phone: +61 (03) 9415 4000 (outside Australia)
Fax: +61 (03) 9473 2500
www.computershare.com