

SYLVANIA RESOURCES LIMITED

A.C.N. 091 415 968



**HALF YEARLY REPORT
31ST DECEMBER 2005**

CORPORATE DIRECTORY

DIRECTORS

E Nealon
T McConnachie
K.S Huntly
G.M Button
E Kirby
M Sturgess

COMPANY SECRETARY

M Langoulant

REGISTERED OFFICE

98 Colin Street
WEST PERTH WA 6005

Telephone: (08) 9481 8711

Facsimile: (08) 9324 2977

AUDITORS

HLB Mann Judd
15 Rheola Street
WEST PERTH WA 6005

LAWYERS TO THE COMPANY

Clayton Utz
QV1
250 St. Georges Tce
Perth WA 6000
Australia

SHARE REGISTRY

Computershare Investor Services Pty Ltd
Reserve Bank Building
Level 2
45 St George's Terrace
PERTH WA 6000

ASX CODES

Shares: SLV

DIRECTORS' REPORT

The Directors present their report of the consolidated entity for the half-year ended 31st December 2005.

DIRECTORS

The names of the Directors of the Company in office during the half-year and until the date of this report are:

Ed Nealon - Chairman, Terry McConnachie - CEO, Grant Button – Executive director, Scott Huntly – Non-executive director, Evan Kirby – Non-executive director, and Melissa Sturgess – Non-executive director.

REVIEW AND RESULTS OF OPERATIONS

The Consolidated loss of the consolidated entity after provision for income tax was \$4,201,343 (2004 - \$372,567).

South African Operations

Chromite Tailings Retreatment Project (“CTRP”) (formerly “RK1”)

During the half year, CTRP processed 98,000 tons of feed and produced 2,950 ounces of PGM's. Cash operating costs were R95 per tonne treated, and R3,187 per PGM ounce. A cash margin of 44% was achieved.

The technology has now been proven, and with some final technical enhancements to the plant, the directors are confident that the CTRP will deliver increasing ounces whilst improving on current profit margins. By December recoveries on the current arisings had improved to over 40%.

Aquarius Platinum commissioned test work at Mintek to better understand the metallurgical characteristics of the various feed sources. Preliminary results are providing a strong basis for improved performance in the future. The project planning for the retrofit of additional process equipment is underway and designs will be finalized following the final results of the Mintek test work.

Sylvania owns a 25% interest in a Consortium led by Aquarius Platinum Corporate Services (“Aquarius Platinum”). The Consortium treats chromite tailings through a purpose built plant adjacent to Aquarius Platinum Limited's Kroondal Mine, in order to extract platinum group metals (platinum, palladium, rhodium and gold).

Everest North Project

A desktop feasibility study has shown that this is a robust project. During the Half Year Sylvania received an exploration drilling proposal for the Everest North project. Site survey work and exploration drilling is planned for the Quarter ending March 2006.

The Everest North project, over which Sylvania has control, lies on the Farm Vygenhoek in the eastern Bushveld of South Africa, and is prospective for Platinum Group Metals (“PGMs”). Previous work has outlined an Inferred resource of 4.2 million tonnes grading 5.87 g/t (Platinum, Palladium, Rhodium and Gold), for an Inferred resource of 796,000 ounces of PGM’s. Sylvania will conduct feasibility studies to determine the financial viability of developing a stand alone mining and processing operation. Alternative development scenarios which could benefit from synergistically working in co-operation with the nearby Everest South Mine (operated by Aquarius Platinum Limited) will also be considered.

Sylvania has initially paid to Aquarius Platinum (South Africa) (Pty) Limited (“AQPSA”) R2 million, and is now acting as a contractor to AQPSA. Sylvania is, at its cost, prospecting the Everest North Project area. Upon proof of the project viability, Sylvania will assist AQPSA to obtain a mining right which will subsequently be transferred to Sylvania. Sylvania will pay a further R6 million to AQPSA upon grant of the mining right to Sylvania.

Samancor Dumps

The company has won a tender with Samancor Chrome Ltd (“Samancor”) to retreat chrome tailings and extract the platinum group metals (PGM’s) at Samancor’s Millsell and Waterkloof mine sites, located approximately 4.2km from the Chromite Tailings Retreatment Plant (“CTRP”) in the Western Bushveld region of South Africa.

The Consortium will treat 30,000 tonnes per month of dormant tailings from the Millsell and Waterkloof Mines mixed with current arisings from Milsell. The chrome produced will be sold back to Samancor on commercial terms. Sylvania is constructing a chromite extraction plant on site at Millsell and it is anticipated it will be operating by May 2006.

The PGM tailings from the Millsell Chrome Washing Plant could be piped to CTRP at Kroondal, or treated in a new plant at Milsell for PGM extraction. A detailed assessment of these options is currently being undertaken by the Company.

The capital expenditure for the Chrome Washing Plant is expected to be in the region of A\$2m. Costs for the two alternatives for PGM extraction will be estimated and other pertinent factors will be considered before a decision is made.

Sylvania’s equity participation in the chrome retreatment consortium is expected to be 74% (26% self funded BEE). In the PGM extraction consortium Sylvania will own 100% of the equity, which may be reduced to 74% once negotiations with potential BEE partnerships are concluded. An additional 1,450 oz per month of PGMs is expected to be generated by the new deal.

To secure Sylvania’s 74% interest in the Chrome Tailings consortium and its initial 100% interest in the PGM consortium, Sylvania has issued 6 million fully paid ordinary Sylvania shares.

Australian operations

Previous exploration by Sylvania within Australia has been focused on the Archean Sylvania Inlier, situated in Western Australia. Within this area the Company still retains mineral exploration projects known as Copper Knob and Jimblebar. The projects lie east and south of Newman and are located within the Peak Hill Mineral Field. Exploration on these tenements has targeted gold, copper-zinc, nickel and platinum group element mineralization.

Sylvania had previously entered into an Option Agreement with Warwick John Flint (“Flint”) over all of the Australian tenements of Sylvania at Jimblebar and Copper Knob. Under the terms of the Option Agreement Flint had the right to exercise the Option at any time up until 16 August 2005, to acquire Sylvania’s interests in its Australian tenements for the consideration of A\$55,000, and the issuance to Sylvania of fully paid ordinary shares in a listed entity to the value of A\$200,000. Flint had the obligation to maintain the tenements in good standing during the life of the Option Agreement.

During the half year Flint exercised his right to extend the Option Agreement for a further 12 month period until 16 August 2006 through the payment of A\$10,000. Under the terms of the Option extension, the share consideration component of the exercise price of the Option has increased to A\$300,000.

No field work was undertaken by the Company on its Australian tenements during the half year under review.

Dated at Perth this 14th day of March 2006.

Signed in accordance with a resolution of the Directors.



G BUTTON
Executive Director

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

Auditor's Independence Declaration

As lead auditor for the review of the financial report of Sylvania Resources Limited for the half year ended 31 December 2005, 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Sylvania Resources Limited.



Perth, Western Australia
14 March 2006

W M CLARK
Partner, HLB Mann Judd

**CONSOLIDATED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

	Note	Half Year Ended 31 Dec 2005 \$	Half Year Ended 31 Dec 2004 \$
Revenue			
Revenue for ordinary operations		529,628	79,183
Foreign exchange gains		495,654	-
		1,025,282	79,183
Employee benefits		(131,893)	(57,393)
Consulting fees		(681,209)	(190,767)
Exploration costs refunded/(written off)		(45,183)	-
Foreign exchange losses		(22,770)	-
Other expenses		(523,583)	(96,929)
Project development		(3,821,987)	(106,661)
Loss before income tax expense		(4,201,343)	(372,567)
Income tax expense		-	-
Loss after income tax expense	3	(4,201,343)	(372,567)
Net loss for the period		(4,201,343)	(372,567)
Net loss attributable to members of the parent		(4,201,343)	(372,567)
		<u>Cents</u>	<u>Cents</u>
Basic earnings per share		(4.56)	(0.72)
Diluted earnings per share		(4.56)	(0.72)

The accompanying notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2005

	31 Dec 2005	30 June 2005
	<u>\$</u>	<u>\$</u>
Current assets		
Cash and cash equivalents	8,696,341	10,133,474
Receivables	76,071	319,491
Total current assets	<u>8,772,412</u>	<u>10,452,965</u>
Non-current assets		
Investments accounted for using equity method	4,687,005	4,042,476
Other financial assets	481,674	19,736
Mining tenements	733,154	644,400
Plant and equipment	162,157	4,003
Total non-current assets	<u>6,063,990</u>	<u>4,710,615</u>
Total assets	<u>14,836,402</u>	<u>15,163,580</u>
Current liabilities		
Payables	495,850	244,876
Total current liabilities	<u>495,850</u>	<u>244,876</u>
Total liabilities	<u>495,850</u>	<u>244,876</u>
Net assets	<u>14,340,552</u>	<u>14,918,704</u>
Equity		
Contributed equity	25,642,204	22,042,204
Reserves	24,233	1,042
Accumulated losses	(11,325,885)	(7,124,542)
Total equity	<u>14,340,552</u>	<u>14,918,704</u>

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR HALF YEAR ENDED 31 DECEMBER 2005**

	Issued capital	Accumulated losses	Reserves	Total equity
	\$	\$	\$	\$
Balance at 1 July 2004	11,957,781	(5,599,396)	285,375	6,643,760
Loss for the period		(372,567)		(372,567)
Currency translation differences			45,943	45,943
Balance at 31 December 2004	11,957,781	(5,971,963)	331,318	(6,317,136)
Balance at 1 July 2005	22,042,204	(7,124,542)	1,042	14,918,704
Loss for the period		(4,201,343)		(4,201,343)
Currency translation differences			(38,747)	(38,747)
Net gains revaluation reserve			61,938	61,938
Increase in share capital	3,600,000			3,600,000
Balance at 31 December 2005	25,642,204	(11,325,885)	24,233	14,340,552

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR HALF YEAR ENDED 31 DECEMBER 2005**

	Half-Year Ended 31 Dec 2005 Inflows/ (Outflows) \$	Half-Year Ended 31 Dec 2004 Inflows/ (Outflows) \$
Cash flows from operating activities		
Receipts from debtors	-	21,721
Interest received	262,535	68,962
Payments to suppliers and employees	(1,309,907)	(515,272)
Net cash outflow from operating activities	(1,047,372)	(424,589)
Cash flows from investing activities		
Distribution from/(investment in) joint venture entity	33,813	(1,151,923)
Payments for plant & equipment	(158,764)	-
Exploration and evaluation expenditure/(refund)	(139,761)	10,221
Investments held for re-sale	(400,000)	-
Net cash outflow from investing activities	(664,712)	(1,141,702)
Cash flows from financing activities		
Loan (to)/repaid by others	297,721	(297,721)
Net cash inflow/(outflow) from financing activities	297,721	(297,721)
Net increase/(decrease) in cash held	(1,414,363)	(1,864,012)
Cash at the beginning of reporting period	10,133,474	4,023,120
FOREX movements on cash balances	(22,770)	-
Cash at the end of the reporting period	8,696,341	2,159,108

The accompanying notes form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

NOTE 1: BASIS OF PREPARATION OF HALF-YEAR FINANCIAL REPORT

This general purpose financial report for the interim half-year reporting period ended 31 December 2005, has been prepared in accordance with the Corporations Act 2001 and applicable accounting standards including AASB 134: *Interim Financial Reporting* and other authoritative pronouncements of the Australian Accounting Standards Board.

The half-year report has been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale financial assets which are measured at fair value.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2005 and any public announcements made by Sylvania Resources Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the consolidated entity as in the full financial report.

For the purpose of preparing the half-year report, the half-year has been treated as a discrete reporting period.

As this is the first interim financial report prepared under Australian equivalents to IFRS, the accounting policies applied are inconsistent with those applied in the 30 June 2005 annual report as this report was presented under previous Australian GAAP. Accordingly, a summary of the significant accounting policies under Australian equivalents to IFRS has been included below. A reconciliation of equity and profit and loss between previous GAAP and Australian equivalents to IFRS has been prepared and is presented in Note 2.

(a) Principles of consolidation

The consolidated financial report comprises the financial statements of Sylvania Resources Limited and its controlled entities.

A controlled entity is any entity controlled by Sylvania Resources Limited whereby Sylvania Resources Limited has the power to control the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of controlled entities are prepared for the same reporting period as the parent company, using consistent accounting policies. Accounting policies of controlled entities have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation.

Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

(b) Income tax

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

No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law. The carrying amount of deferred tax assets is reviewed at each balance date and only recognised to the extent that sufficient future assessable income is expected to be obtained.

Sylvania Resources Limited and its wholly-owned Australian subsidiary have formed an income tax consolidated group under the Tax Consolidation Regime. Sylvania Resources Limited is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidated group. The group has notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 1 July 2003. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(c) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Revaluations

Where the fair value model is used, valuations are performed with sufficient regularity to ensure that carrying value does not differ materially from fair value at balance date.

Revaluation increments are credited to the asset revaluation reserve as a component of equity unless it constitutes a reversal of a previous revaluation decrement previously recognised through the income statement. The associated depreciation expense relating to the revaluation is transferred annually to retained earnings from the asset revaluation reserve.

Any accumulated depreciation at revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued asset amount.

On disposal of a revalued asset, the portion of the asset revaluation reserve which relates to the asset disposed of is transferred to retained earnings.

Impairment

Carrying values of assets are reviewed at each balance date to determine whether there are any objective indicators of impairment that may indicate the carrying values may not be recoverable in whole or in part.

Where an asset does not generate cash flows that are largely independent it is assigned to a cash generating unit and the recoverable amount test applied to the cash generating unit as a whole.

Recoverable amount is determined as the greater of fair value less costs to sell and value in use. The assessment of value in use considers the present value of future cash flows discounted using an appropriate pre-tax discount rate reflecting the current market assessments of the time value of money and risks specific to the asset.

If the carrying value of the asset is determined to be in excess of its recoverable amount, the asset or cash generating unit is written down to its recoverable amount.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
Plant and equipment	10%
Fixtures and Fittings	7.5%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When re-valued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(d) Exploration and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that the consolidated entity's rights of tenure to that area of interest are current and that the costs are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(e) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

(f) Investments in Associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting where significant influence is exercised over an investee. Significant influence exists where the investor has the power to participate in the financial and operating policy decisions of the investees but does not have control or joint control over those policies.

The associate and the consolidated entity have the same reporting date and apply consistent accounting policies.

The investment in associate is carried at cost adjusted for any post-acquisition changes in the consolidated entity's share of the associate's net assets. The consolidated entity's share of the results of the associate is included within the income statement.

(g) Interests in Joint Ventures

The consolidated entity's interests in jointly controlled entities are brought to account using the equity method of accounting in the consolidated financial statements. The parent entity's interests in jointly controlled entities are brought to account using the cost method.

(h) Intangibles

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill is allocated to each of the cash generating units expected to benefit from the acquisition. Goodwill is subsequently recorded at cost less any accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Impairment

Goodwill is tested for impairment by comparing the recoverable amount of the cash generating unit to which any goodwill relates with the carrying amount. Any impairment loss is apportioned according to the relative carrying amounts of the goodwill and other assets comprising the cash generating unit.

Intangible assets other than goodwill are tested for impairment when an objective indicator of impairment is present and, for intangible assets with indefinite lives, either individually or at the cash generating unit level. Useful lives are reviewed annually and any adjustments made on a prospective basis.

The carrying value of any development costs capitalised is reviewed annually where the asset is not yet in use, or more frequently when an indicator of impairment arises during the year which indicates that the carrying amount may not be recoverable.

(i) Recoverable amount of assets and impairment testing

The consolidated entity assesses at each reporting date whether any objective indications of impairment are present. Where such an indicator exists, a formal assessment of recoverable amount is then made and where this is in excess of carrying amount, the asset is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset or cash generating unit. In estimating value in use, a pre-tax discount rate is used which reflects current market assessments of the time value of money and the risks specific to the asset.

Any resulting impairment loss is recognised immediately in the income statement unless it reverses a previous impairment loss that was recognised in prior periods in the income statement.

(j) Foreign currency transactions and balances

The functional and presentation currency of Sylvania Resources Limited is Australian dollars.

Transactions in foreign currencies are initially recorded in the functional currency at 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 differences in the consolidated financial report are taken to the income statement 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 a net investment, at which time they are recognised in the income statement.

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date the fair value was determined.

The functional currency of the overseas subsidiaries is South African Rand (ZAR).

As at the reporting date, the assets and liabilities of these overseas subsidiaries are translated into the reporting currency of Sylvania Resources Limited at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the period.

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

On disposal of a foreign entity, the deferred cumulative amount recognised in equity is recognised in the income statement.

(k) Employee benefits

Provision is made for the consolidated entity's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(l) Provisions

Provisions are recognised when the consolidated entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(m) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(n) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the consolidated entity and the revenue is capable of being reliably measured.

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

(o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

(p) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(q) Share-based payments

Share-based compensation benefits are provided to employees via the Sylvania Resources Share and Option Plan.

The fair value of shares and options granted under the Sylvania Resources Employee Share and Option Plans is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the shares and/or options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the vesting term for shares and the term of options, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The value of shares issued to employees financed by way of a limited recourse loans under the employee share scheme is recognised with a corresponding increase in equity when the Company receives funds from either the employees repaying the loan or upon the loan termination.

(q) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

NOTE 2: FIRST TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ('AIFRS')

Impact of adoption of AIFRS

The impacts of adopting AIFRS on the total equity and loss after tax as reported under Australian Accounting Standards applicable before 1 January 2005 (previous Australian GAAP) are illustrated below.

(i) Reconciliation of total equity as presented under previous Australian GAAP to that under AIFRS

	Consolidated		
	1 July 2004	31 December 2004	30 June 2005
	\$	\$	\$
Total equity under previous Australian GAAP	6,643,760	6,317,136	15,488,064
<i>Adjustments to equity:</i>			
Currency translation differences	-	-	(569,360)
Total equity under AIFRS	6,643,760	6,317,136	14,918,704

Impact of adoption of AIFRS (Continued)

(ii) Reconciliation of profit after tax under previous Australian GAAP to that under AIFRS

	Consolidated	
	Year ended 30 June 2005	Half year ended 31 December 2004
	\$	\$
Loss after tax as previously reported	(954,744)	(326,624)
Foreign currencies translations	(570,402)	(45,943)
Loss after tax under AIFRS	(1,525,146)	(372,567)

The foreign currency translation differences has no effect on income tax expense under either Australian GAPP and AIFRS.

(iii) Explanation of material adjustments to the cash flow statements

There are no material differences between the cash flow statement presented under AIFRS and those presented under previous Australian GAAP.

NOTE 3: LOSS FROM ORDINARY ACTIVITIES

	Consolidated	
	31 December 2005	31 December 2004
	\$	\$
The following expense item is relevant in explaining the financial performance for the half-year:		
Project generation costs incurred in acquiring new projects in South Africa	3,821,987	106,661

NOTE 4: CONTRIBUTED EQUITY

	Consolidated	
	31 December 2005 \$	30 June 2005 \$
<i>Ordinary shares</i>		
Issued and fully paid	25,642,204	22,042,204
	No. (thousands)	\$
<i>Movements in ordinary shares on issue</i>		
At 1 July 2005	91,679,273	22,042,204
Shares issued in consideration for successful project generation consulting services	6,000,000	3,600,000
Employee share plan issues*	3,850,000	-
	101,529,273	25,642,204
At 31 December 2005		

*Shares issued at \$0.50 in accordance with the Sylvania Resources Limited Employee Share Plan funded by way of a limited recourse loan repayable in 2 years from the date of issue. The equity contribution from these shares will be recognised upon receipt of funds by the Company at the later of the loan being repaid by the employee or from funds recovered at the termination of the loan in accordance with the Share Plan terms and conditions.

NOTE 5: SEGEMENT REPORT

The consolidated entity currently operates in both South Africa and Australia.

	South Africa \$	Australia \$	Consolidated \$
Half-year 2005			
Total segment revenue	762,747	262,535	1,025,282
Segment result	(3,804,601)	(396,742)	(4,201,343)
Half-year 2004			
Total segment revenue	-	79,183	79,183
Segment result	(106,891)	(265,676)	(372,567)

NOTE 6: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

NOTE 7: EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since 31 December 2005 that have significantly affected, or may significantly affect:

- the consolidated entity's operations in the future financial periods,
- the results of those operations in future financial periods, and
- the consolidated entity's state of affairs in future financial periods.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 6 to 20.
 - a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
 - b. Give a true and fair view of the consolidated entity's financial position as at 31 December 2005 and of its performance for the half-year then ended.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



G BUTTON
Executive Director

Dated at Perth, 14th March 2006.

INDEPENDENT REVIEW REPORT

**To the members of
SYLVANIA RESOURCES LIMITED**

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity and accompanying notes to the financial statements and the directors' declaration of Sylvania Resources Limited for the half-year ended 31 December 2005. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and that complies with Accounting Standard AASB 134 "Interim Financial Reporting", in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the Corporations Act 2001, Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

(cont'd)

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration as set out on page 5 of the half year financial report has not changed as at the date of provision of our review report.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Sylvania Resources Limited, is not in accordance with:

- (a) the Corporations Act, including:
 - (i) giving a true and fair view of the consolidated entity's financial position at 31 December 2005 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.



HLB MANN JUDD
Chartered Accountants



W M CLARK
Partner

Perth, Western Australia
14 March 2006