



A.C.N 091 415 968

QUARTERLY REPORT 31 DECEMBER 2005

SYLVANIA RESOURCES LIMITED (ASX:SLV.AX)

HIGHLIGHTS

- **Sylvania to expand Platinum Production from Tailings – Wins Tender with Samancor Chrome Ltd**
 - **CTRP produced 1587 ounces for the December 2005 quarter**
 - **Cash on hand at end of quarter AUD 8.7 million**
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SOUTH AFRICAN OPERATIONS

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

During the quarter the CTRP had its best production to date of 1,587 ounces of PGM's at a basket price of US\$1,099 per ounce. The project manager, Aquarius Platinum Limited, reports that throughput of current arisings from Kroondal Chrome Mine and dump material from the Bayer Chrome Mine rose to above planned levels in the course of the quarter. The additional feed rates did, however, have a negative impact on recoveries. It has been determined that the dump material requires further upgrading prior to being fed to the CTRP. The quantity of dump material has since been restricted and will remain so until further metallurgical work is completed. By December recoveries on the current arisings had improved to over 40%.

Test work at Mintek was commissioned 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.

Everest North Project

During the quarter Sylvania received a fully costed drilling and evaluation proposal for the Everest North project which is currently being evaluated.



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The Everest North project, over which Sylvania has control, lies on the Farm Vygenkoek 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 further test the ground to assess the viability of delivering dense medium separation sinks to Aquarius at their Everest South Mine, which is currently under construction.

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

Aquarius and Sylvania shall, for a period of three months from the date of the grant of a mining right to Sylvania, negotiate on an exclusive basis, to conclude a written agreement to regulate the terms upon which Sylvania shall supply to Aquarius all PGM bearing ore produced from the property, or in circumstances where Sylvania has constructed a concentrator plant to process PGM bearing ore from the property to produce PGM concentrate, any such PGM concentrate.

A desktop feasibility study has shown that this is a robust project, and drilling will commence shortly.

Samancor Dumps

On the 11th October 2005 the company announced that it had 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 agreements, which are currently being finalised, will require Sylvania to create two consortia: one for the retreatment of the chrome and the other for the subsequent extraction of the PGM’s.

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, reducing to approximately 50% once current negotiations with Aquarius Platinum Limited are completed. It is anticipated that Aquarius will



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manage the PGM programme in line with the current practice at the CTRP. An additional 1,450 oz per month of PGMs is expected to be generated by the new deal.

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

It is currently envisaged that the PGM tailings from the Millsell Chrome Washing Plant will be piped to Aquarius/CTRP at Kroondal for PGM extraction.

The capital expenditure for the Chrome Washing Plant upgrade, the construction of the pipeline to the CTRP and the upgrade of the CTRP is expected to be in the region of A\$2m.

To secure Sylvania's 74% interest in the Chrome Tailings consortium and its initial 100% interest in the PGM consortium, Sylvania will issue 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.

Flint has 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



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the Option extension, the share consideration component of the exercise price of the Option has increased to A\$300,000.

Sylvania entering into this Option Agreement was consistent with the Board's stated intention of focusing its attention on the activities of the CTRP Consortium, and other opportunities in Southern Africa.

1. Jimblebar Copper/Gold (45 kms east south east of Newman; Sylvania 80% P52/869 & MLA52/739, Sylvania 100% others)

The Jimblebar tenements lie immediately south east of the currently operating Jimblebar iron ore mine. Sylvania's interests now relate to two prospecting licences, with one of the latter associated with a mining lease application, covering an area of approximately 200 hectares.

The main area of interest for copper in the Jimblebar tenements is a prospective sequence of metamorphosed felsic and intermediate volcanics containing magnetite outcrops as well as several occurrences of outcropping secondary copper mineralization.

No field work was undertaken by the Company during the quarter.

2. Copper Knob (42 kms east south east of Newman; Sylvania 100%)

The Mining Lease 52/211 at Copper Knob, covers a very large body of disseminated low grade sulphide copper mineralization with some gold values that has been drilled by previous explorers. This mineralization lies within a sequence of felsic and intermediate volcanic rocks that extend for over 9 kilometres forming the Jimblebar copper area. The Copper Knob mining lease has untested potential for an oxide copper resource and for discrete massive copper bearing sulphide bodies.

No field work was undertaken by the Company during the quarter.

CORPORATE

Issue of Shares

During the quarter the company issued 6,000,000 shares in the company at a deemed issue price of \$0.60 per share in consideration for assistance in identifying the tender opportunity and in preparing the tender to retreat chrome tailings at Millsell and Waterkloof.



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Issue of Shares under the Sylvania Resources Share Plan

On the 22nd December 2005 the company announced that in accordance with the shareholder approval received on 30 November 2005, it had issued 3,850,000 shares under the terms of the Sylvania Resources Share Plan to directors and employees of the Company.

A handwritten signature in black ink, appearing to read "E. Nealon".

ED NEALON
Executive Chairman

The technical exploration and mining information contained in this report was compiled by Mr Ed Nealon, a Dwyka Diamonds 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.

Further information please contact:

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Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

SYLVANIA RESOURCES LIMITED

ACN or ARBN

091 415 968

Quarter ended ("current quarter")

31 December 2005

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	34	34
1.2 Payments for		
(a) exploration and evaluation	(90)	(174)
(b) development	(121)	(155)
(c) production	(37)	(37)
(d) administration	(624)	(1,061)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	111	263
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other – Forex	(43)	(43)
Net Operating Cash Flows	(770)	(1,173)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a)prospects		
(b)equity investments	(400)	(400)
(c) other fixed assets	(143)	(148)
1.9 Proceeds from sale of:		
(a)prospects		10
(b)equity investments		
(c)other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
Net investing cash flows	(543)	(538)
1.13 Total operating and investing cash flows (carried forward)	(1,313)	(1,711)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,313)	(1,711)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		298
1.18	Dividends paid		
1.19	Other – capital raising costs		
	Net financing cash flows	-	298
Net increase (decrease) in cash held			
		(1,313)	(1,413)
1.20	Cash at beginning of quarter/year to date	10,033	10,133
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	8,720	8,720

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

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	186
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

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Non-cash financing and investing activities

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

During the quarter the company issued 6 million shares at a deemed issue price of \$0.60 for services rendered in identifying and assisting the successful tender by the company to acquire the rights to re-treat chrome tailings at Millsell and Waterkloof.
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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

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

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	100
4.2 Development	300
Total	400

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	548	2,087
5.2 Deposits at call	8,172	7,946
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	8,720	10,033

Changes in interests in mining tenements

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

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

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

	Total number	Number quoted	Issue price per security (see note 3)	Amount paid up per security (see note 3)
7.1 Preference +securities <i>(description)</i>	-	-		
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	101,529,273	97,679,273	N/A	N/A
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	6,000,000 3,850,000	6,000,000 Nil	\$0.60 \$0.50	\$0.60 \$0.50
7.5 +Convertible debt securities <i>(description)</i>	-	-		
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	-	-	<i>Exercise price</i>	<i>Expiry date</i>
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>	-	-		
7.12 Unsecured notes <i>(totals only)</i>	-	-		

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Date: 27 January 2006

Print name:

Company Secretary
Mike Langoulant

Notes

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- 1 This quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
 - 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
 - 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
 - 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
 - 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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