



A.C.N 091 415 968

QUARTERLY REPORT 31 MARCH 2006

SYLVANIA RESOURCES LIMITED (ASX:SLV.AX)

HIGHLIGHTS

- **CTRP produced 1,484 PGM ounces for the March 2006 quarter**
 - **Cash on hand at end of quarter AUD7.4 million**
 - **Letter of Intent received from Samancor Limited**
 - **Chrome Washing Plant almost complete at Millsell**
 - **Feasibility Study to commence at Everest North**
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SOUTH AFRICAN OPERATIONS

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

- PGM production of 1,484 ounces (Sylvania attributable 371 PGM ounces)
- Significant operational improvement as recoveries increase to 51% from 27% in the previous quarter
- Improvement in unit costs, 42% lower than previous quarter at R2000 per PGM ounce
- Gross cash margin improves to 65% from 43% in the previous quarter

During the quarter only current arisings from the Kroondal Chrome mine were fed to the CTRP. The feed of dump material from the Bayer Chrome Mine was stopped due to poor recoveries achieved in the previous quarter. The effect was that recoveries rose to 51% against 27% in the previous quarter. Consequently, unit costs decreased by 42% to R2000 per PGM ounce from R3,441 per PGM ounce in the previous quarter.



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Following the results of the initial Mintek testwork, a small expansion project is planned to increase throughput and production. This expansion will add dump material from the Kroondal Chrome Mine to the CTRP feed. It is anticipated that this project will be completed in the first quarter of the 2007 Financial Year at a cost of approximately R2 million.

Additional testwork has also been commissioned at Mintek to further optimize the recoveries achievable with the various feed sources.

Samancor Dumps

On 22 November 2005, the company announced it had entered into a contract with Samancor Chrome Ltd ("Samancor") with respect to Chromite and PGM retreatment by Sylvania at the Millsell and Waterkloof tailings dumps on the Western Bushveld region of South Africa.

Sylvania expects the full commissioning of the chrome washing plant which is located at Millsell to be completed by the end of April 2006.

On the 7 February 2006, the company was pleased to announce that they had received a letter of intent from Samancor in relation to the recovery of Chromite and PGM's from all of Samancor's tailings dumps in the Bushveld of South Africa, including its Eastern Chrome Mines (Tweefontein, Lannex, Steelport, Boornbush, Montrose, Groothoek, Onverwacht, Mooihoek) and its Western Chrome Mines (Buffelsfontein, Elandsdrift, Mooinooi).

The letter relates to both Samancor's past and current mining activities and is subject to final negotiations on the terms and conditions of the agreements for each project.

Everest North Project

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. A full feasibility study is expected to start in April of this year with diamond drilling to commence in early May 2006. An Environmental Impact Assessment study will be carried out at the same time by Metago Environmental Engineers.



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Sylvania has initially paid to Aquarius Platinum (South Africa) (Pty) Limited (“AQPSA”) R2 million, and will pay a further R 6 million to AQPSA upon grant of the mining right to Sylvania.

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 has entered into an Option Agreement with Warwick John Flint (“Flint”) over all its the Australian tenements at Jimblebar and Copper Knob. Under the terms of the Option Agreement Flint has the right to exercise the Option at any time up until 16 August 2006, 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\$300,000. Flint has the obligation to maintain the tenements in good standing during the life of the Option Agreement.

No field work was undertaken by the Company on its Australian tenements during the quarter.

CORPORATE

Appointment of CEO

The Company announced on 8 March 2006 a re-organisation of its executive team in response to its expanding activities in South Africa. The changes outlined below took immediate effect.

Mr Terry McConnachie, who is based in South Africa, was appointed Chief Executive Officer (“CEO”) for Sylvania. Mr McConnachie has held the position of Chief Operating Officer of Sylvania since June 2005. Mr McConnachie will be responsible for the corporate performance of the Company and will continue to focus on delivering new opportunities for the Company such as the further agreements as a result of the Letter of Intent signed with Samancor.



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In accordance with the Australian Stock Exchange Limited ("ASX") disclosure obligations, the Company advised that under the remuneration package of Mr Terry McConnachie, the Chief Executive Officer of Sylvania, he will receive an annual salary of ZAR1.2 million and the Company has also made an offer to Mr McConnachie to apply for 500,000 Options under the terms of the Sylvania Share and Option Plan.

Dr Evan Kirby, formerly a non-executive Director, was appointed as Chief Operating Officer of Sylvania. Dr Kirby will be responsible for the operational performance of Sylvania's assets and will manage the anticipated growth in the Company's operational assets

As a result of these operational enhancements, Mr Ed Nealon is now the non-executive Chairman of Sylvania.

These appointments reflect the growing activity level in South Africa, as a result of the signing of the Millsell and Waterkloof tailings retreatment contract announced on 11 October 2005. In addition these changes prepare the Company structurally for the opportunities that it is anticipated will arise from the Letter of Intent signed with Samancor, which was announced on 7 February 2006.

The Sylvania Board now comprises of the following:

Mr Ed Nealon	Non-executive Chairman
Mr Terry McConnachie	Chief Executive Officer
Dr Evan Kirby	Chief Operating Officer
Mr Grant Button	Executive Director
Ms Melissa Sturgess	Non-executive Director
Mr Scott Huntly	Non-executive Director

Change of Registered Address

On the 28 February 2006 the company's registered address changed to 98 Colin Street West Perth, WA 6005, Australia. All other contact details remained the same.

A handwritten signature in black ink, appearing to read "E. Nealon", is written over a horizontal line.

ED NEALON
Non Executive Chairman



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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.

Further information please contact:

In Australia:

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or visit our website at www.sylvaniaresources.com

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 March 2006

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (9 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	34
1.2 Payments for		
(a) exploration and evaluation	(147)	(321)
(b) development	(429)	(584)
(c) production	(14)	(51)
(d) administration	(541)	(1,602)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	97	360
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other – Forex	(10)	(12)
Net Operating Cash Flows	(1,044)	(2,176)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects		
(b) equity investments	(36)	(436)
(c) other fixed assets	(271)	(419)
1.9 Proceeds from sale of:		
(a) prospects	-	10
(b) equity investments	19	19
(c) other fixed assets		
1.10 Loans to other entities	-	(41)
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
Net investing cash flows	(288)	(867)
1.13 Total operating and investing cash flows (carried forward)	(1,332)	(3,043)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,332)	(3,043)
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	(1,332)	(2,745)
1.20	Cash at beginning of quarter/year to date	8,720	10,133
1.21	Exchange rate adjustments to item 1.20	1	1
1.22	Cash at end of quarter	7,389	7,389

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	169
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

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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	656	548
5.2 Deposits at call	6,733	8,172
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	7,389	8,720

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				
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: 20 April 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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