



A.C.N 091 415 968

QUARTERLY REPORT 31 MARCH 2007

SYLVANIA RESOURCES LIMITED (ASX/ AIM :SLV)

HIGHLIGHTS

- **Sylvania concludes Addendum to the Services and Supply Contract with Samancor Limited**
 - **Sylvania signs fixed priced contract for construction of two PGM Recovery Plants**
 - **Sylvania signs shareholder agreement with Black Empowerment Partner**
 - **Sylvania concludes sale of its Australian tenements**
 - **CTRP production increased 5% to 1954 PGM ounces (Sylvania attributable 488 PGM ounces)**
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SOUTH AFRICAN OPERATIONS

PLANT CONSTRUCTION SCHEDULE

Chrome Washing Plants (CWPs)

Millsell CWP

- Operational since mid 2006
- Currently being enhanced, with the addition of more equipment to the recovery circuit. The plant has already exceeded design capacity on a daily basis and indications are that it will be able to operate above the planned monthly throughput which will result in decreased unit costs.

Steelport CWP

- Currently under construction and scheduled for completion early May 2007
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PGE Recovery Plants (PRPs)

The Company has signed fixed price contracts for the construction of PRPs at Millsell and Steelport, as per the Company's announcement dated 16 February 2007.

Millsell PRP

- Currently under construction with mechanical completion date set for early May 2007
- A six week commissioning phase planned with the plant scheduled to be operational by late June 2007

Steelport PRP

- Currently under construction with mechanical completion set for mid May 2007
- Six weeks commissioning is planned with the plant scheduled to be fully operational by end June 2007

This will see Sylvania with two CWPs and two PRPs in production by the end of June 2007. The Company will develop a further three CWPs and two PRPs over the next 18 months.

The BEE funding from Ehlobo, as announced on 13 February 2007 will be used to advance planned developments at Elandsdrift and Buffelsfontein. Accordingly, the Company has brought forward the commissioning dates of the Elandsdrift CWP to September 2007 and the Buffelsfontein/ Elandsdrift PRP to November 2007.

The Lannex CWP is scheduled to be commissioned in April 2008 and the Tweefontein PRP is scheduled to be commissioned in May 2008. The Company will then have five CWPs and four PRPs operational from June 2008.

The Company plans to diversify into primary mining activities through the development of the Everest North PGE project on which the Bankable Feasibility Study is scheduled for completion by August 2007.

Samancor Contracts

On 9 January 2007, the company signed an Addendum to the Services and Supply Agreement with Samancor Limited ("Samancor"). The Addendum refines the Services and Supply Agreement with Samancor, the terms of which were previously outlined in



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an announcement dated 1 May 2006 and the AIM Admission Document dated 20 July 2006.

The amendments contained in the Addendum are considered to be significant to Sylvania as they streamline a number of operational issues.

The key aspects of the Addendum include:

- The duration of the agreement has been extended to incorporate current arisings for the duration of the Samancor rights in respect of the specified mining areas;
- Sylvania may now construct its PRPs within the Samancor Mining Area;
- Sylvania is no longer obliged to remove tailings created after the PGM recovery process from the Samancor Mining Area and can now utilize the existing Samancor tailings facilities as directed by Samancor. The final rehabilitation responsibility rests with Sylvania;
- A number of amendments to and clarification of, clauses that will address operational and functional issues that have been identified between the parties since the original Agreement was signed.

The major significance of these amendments will be the reduction of the time delays associated with negotiating and acquiring land, and the negotiating of the necessary environmental and other approvals for the establishment of the plant and tailings storage facilities.

Significantly, the Addendum enabled Sylvania to amend its business plan to bring forward the establishment of three of its PRP plants to be constructed at Millsell, Steelpoort and Elandsdrift.

Everest North Project

On 8 March 2007 the company announced that the old order prospecting rights held by Aquarius Platinum Ltd (“Aquarius”) at Everest North (the farm Vygenhoek 10JT) had now been converted to new order prospecting rights. As per agreement, Aquarius will nominate Sylvania as the applicant for the new order mining right once the bankable feasibility has been completed.



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At the date of the announcement, 14 drillholes had been completed, each with two deflections and all holes had intersected a competent and composite type UG2 reef. Assays for the first six holes (plus deflections) were available returning excellent results as follows:-

Borehole No	True Width (m)	Pt (g/t)	Pd (g/t)	Rh (g/t)	Au (g/t)	Total 4E (g/t)
VH1	1.28	2.74	2.77	0.49	0.07	6.07
VH2	1.21	3.15	1.99	0.57	0.07	5.78
VH3	1.52	2.65	1.40	0.51	0.03	4.59
VH4	1.33	2.67	1.56	0.51	0.04	4.78
VH5	1.42	2.79	1.48	0.54	0.04	4.85
VH6	1.47	3.21	1.85	0.61	0.06	5.73

On the basis of using 4E (Pt,Pd,Rh, and Au) grades only, the average grade was 5.30g/t over 1.37 metres. The metal split was 56% Pt, 32% Pd, 11% Rh, and 1% Au. On the basis of using 6E (Pt,Pd,Rh,Au,Ir,Ru) grades, the average grade was 6.45g/t over 1.37 metres.

The UG2 reef outcrops at surface along its entire perimeter and dips shallowly between 5 and 15 degrees; the depth of the reef ranges from 0 to 150m below surface. The orebody is easily accessible and will be mined using both opencast and underground methods. The combination of a shallow depth and excellent reef width lends itself readily to mechanised mining. Access to underground mining will be by shallow decline shafts developed while the opencast mining is in progress.

Diamond drilling at Everest North to upgrade the deposit to the measured category is nearing completion. To date, 18 out of the planned 21 holes have been drilled, each with three reef intersections (from deflections or twinned holes) and all have intersected well developed UG2 reef. Two holes (Numbers 17 and 20) are in progress and one hole has been abandoned (Hole 11) due to shallow reef and poor surface conditions. Drilling completion was originally expected by end of March 2007 but unusually heavy rain hampered access to drilling sites and pushed back the completion date by about a month.



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Chromite Tailings Retreatment Project (CTRP) (Sylvania Resources interest 25%)

Production increased 5% to 1954 PGM ounces (Sylvania attributable 488 PGM ounces) whilst the tonnage of material processed during the quarter remained steady, compared to the previous quarter, at 44,000 tons.

The PGM basket price for the quarter increased 13% to \$1,806 per PGM ounce. Cash costs increased to R2750 per 4E PGM ounce whilst the gross margin remained steady at 77%.

Shareholders Agreement with Black Empowerment (“BEE”) Partner

On 13 February 2007 the company announced that it signed two shareholder agreements with Ehlobo Metals Pty Ltd ("Ehlobo") (“the Agreements”). The Agreements relate to Sylvania’s South African subsidiaries, Sylvania Metals (Pty) Limited (“SLV Metals”) and Sylvania Minerals (Pty) Limited (“SLV Minerals”). SLV Metals holds Sylvania’s CWP’s and SLV Minerals holds Sylvania’s PRP’s.

Under the terms of the Agreements, Ehlobo will acquire a 26% interest in both SLV Metals and SLV Minerals and Ehlobo has committed to contribute amounts of not more than ZAR25 million (A\$4.44 million) and ZAR39 million (A\$6.928 million) towards the initial capital requirements of SLV Metals and SLV Minerals respectively, which amounts are calculated to equate to 26% of the initial capital requirements to construct 5 CWP’s and 4 PRP’s. Sylvania has committed to contribute the remaining 74% of the initial capital requirements and to assist Ehlobo to raise their required capital contributions which are anticipated to be in place by not later than August 2007.

Should Ehlobo be unsuccessful in securing the necessary funding to meet the capital commitment, Sylvania may in its sole discretion terminate the Agreements and all shares held by Ehlobo in SLV Metals and SLV Minerals will forthwith and upon request be retransferred to Sylvania or its nominee.

Ehlobo is restricted in transferring its shareholding until at least 31 December 2009 and there is a reciprocal right of first refusal for Sylvania and Ehlobo to purchase each others shares if one party decides to sell their shares.

Ehlobo is owned by Ehlobo Resources (“ER”). ER is headed by Dr Alistair Ruiters and Mr Rafique Bagus. Both have had long and distinguished careers in the South African government. Dr Ruiters was the Director General of DTI from 1999 to 2005. Mr Bagus was the CEO of Trade and Industry of South Africa from 1987 to 2002. ER was established in 2005 and has since grown its interests in resources. Today ER has a



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presence in coal, chrome and metal trading. Through their operational involvement in mining companies, both Dr Ruiters and Mr Bagus have developed a sound understanding of the mining environment and a good working knowledge of mining operations

AUSTRALIAN OPERATIONS

The company announced on 16 February 2007 that it had concluded the sale of its interests in its Australian tenements. The consideration received for the sale of the interest in the tenements was 1.5 million fully paid ordinary shares of A\$0.20 each in the ASX listed entity, Warwick Resources Limited (“Warwick Resources”) plus A\$55,000 in cash. Based on the price of Warwick Resources shares as at close of business on 31 March 2007, the total consideration amounted to A\$385,000. Sylvania has entered into a restriction agreement such that the Warwick Resources shares granted to Sylvania will not be tradeable on ASX, or otherwise transferable, for a period of 12 months from the date of issue.

The sale was completed pursuant to the option agreement with Warwick John Flint for the sale of Sylvania’s interest in its Australian tenements at Jimblebar and Copper Knob dated 16 August 2004 and as extended on 16 August 2006.

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

ED NEALON
Non Executive Chairman

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.



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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 March 2007

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and related debtors	802	1,547
1.2 Payments for		
(a) exploration and evaluation	(191)	(671)
(b) development	(3,063)	(5,778)
(c) production	(970)	(1,185)
(d) administration	(1,472)	(4,476)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	241	739
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other – Forex	1	20
Other – Reimburse tenement expenses	-	11
Other – GST/VAT Refund	572	930
Other	155	155
Net Operating Cash Flows	(3,925)	(8,708)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a)prospects		
(b)equity investments		
(c) other fixed assets	(17)	(154)
1.9 Proceeds from sale of:		
(a)prospects	50	50
(b)equity investments		
(c)other fixed assets		
1.10 Loans to other entities	(119)	(238)
1.11 Loans repaid by other entities	69	225
1.12 Other (provide details if material)		
Net investing cash flows	(17)	(117)
1.13 Total operating and investing cash flows (carried forward)	(3,942)	(8,825)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(3,942)	(8,825)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		29,488
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	25	25
1.17	Repayment of borrowings	(5)	(5)
1.18	Dividends paid		
1.19	Other – capital raising costs		(2,322)
	Net financing cash flows	20	27,186
	Net increase (decrease) in cash held	(3,922)	18,361
1.20	Cash at beginning of quarter/year to date	28,474	5,804
1.21	Exchange rate adjustments to item 1.20	(50)	337
1.22	Cash at end of quarter	24,502	24,502

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	298
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

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

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

+ 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	600
4.2 Development	12,000
Total	12,600

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	11,659	23,881
5.2 Deposits at call	12,843	4,593
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	24,502	28,474

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	52/972	Relinquished ownership	100%	Nil
	52/869	Relinquished ownership	80%	Nil
	52/211	Relinquished ownership	100%	Nil
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	152,929,273	152,929,273	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>	750,000 1,000,000	Nil Nil	<i>Exercise price</i> 0.50 0.75	<i>Expiry date</i> 30 June 2009 30 June 2010
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: 30 April 2007

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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