



1 May 2006

The Manager
Company Announcements Office
Australian Stock Exchange Limited
Exchange Centre
20 Bond Street
Sydney NSW 2000

Dear Sir,

RE: SYLVANIA CONCLUDES CONTRACTS WITH SAMANCOR TO PRODUCE PLATINUM GROUP METALS AND CHROMITE FROM ALL SAMANCOR CONTROLLED TAILINGS IN THE BUSHVELD COMPLEX OF SOUTH AFRICA

The Directors of Sylvania Resources Limited ("Sylvania") are pleased to announce that detailed Contracts with Samancor Limited ("Samancor") have been signed to cover the terms of the retreatment of Samancor's tailings for the extraction of chrome and platinum group metals ("PGM's"). These contracts follow the Letter of Intent in relation to the retreatment of the dumps, which was received on February 7th, 2006.

The Contracts cover 13 Samancor tailings dumps at its Western Chrome Mines (Buffelsfontein, Waterkloof, Mooinooi, Elandsdrift, and Millsell) and its Eastern Chrome Mines (Tweefontein, Lannex, Steelpoort, Doornbosch, Montrose, Groothoek, Onverwacht and Mooihoek), located in the Bushveld Complex of South Africa.

Key aspects of the Contracts include:-

- Sylvania will build six chrome washing plants and four PGM extraction plants to process the 13 tailings dumps. The first plant, which is located at Millsell, was fully commissioned last week and continuous production will commence on 3 May 2006. The plant Capital expenditure has come in substantially under budget and the first invoice for site establishment costs has been submitted;
- At all six chrome washing plants Sylvania will produce chromite for sale back to Samancor;
- After the Chrome washing phase the resultant final tails will be processed in four new PGM extraction plants (CTRP) to be constructed by Sylvania. The proceeds of this operation will be for Sylvania's account only. Each new CTRP plant is expected to produce some 1,000 ounces of PGM's per month;
- The dumps comprise some 7 million tonnes of tailings;

- Each chrome washing plant will be designed to treat a minimum of 30 000 tonnes of input tailings per month to recover approximately 7 500 to 10 000 tonnes of saleable chrome product per plant;
- The Contracts require Sylvania to retreat the current arisings, which are the new tailings produced by current chromite mining by Samancor. This is an ongoing process that currently generates in the region of 32 500 tonnes of tailings per month;
- The Contracts are for a five year renewable period;
- It is estimated that it should take just under 5 years to complete the washing of the historical chrome dumps covered by the Contracts, but the rewashing of current arisings will last far longer;
- Sylvania has pioneered an innovative method of mining the tailings dumps, which is designed to halve Sylvania's treatment costs in comparison with conventional methods;
- Samancor/Sylvania have submitted PGM prospecting applications to the Department of Minerals and Energy for all 13 tailings dams. The Department has responded positively and we await final confirmation in relation to these applications.

As consideration for facilitation of this agreement, Sylvania will issue to Portpatrick Ltd (or its nominee) up to a further 14 million shares in Sylvania. This consideration is comprised of 4 million shares for having successfully obtained the relevant chrome rights for Sylvania, and up to 10 million shares for successfully obtaining the rights to the PGM's which will be issued on a pro rata basis as the PGM rights are approved on each tailings dump.

Sylvania further announces that it is close to concluding an agreement with a broad based Black Economic Empowerment partner, ensuring compliance with the Broad Based Black Economic Empowerment Act no 53 of 2002 and the codes of good practice published in terms of the South African Mining Charter.

Yours faithfully

Sylvania Resources Limited



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.