

QUARTERLY REPORT 31 DECEMBER 2004

SOUTH AFRICAN OPERATIONS

Chromite Tailings Retreatment Consortium (“RK1”)

Highlights

- **Plant construction completed on schedule in early December 2004**
- **Commissioning completed and production commenced 13 January 2005**
- **First concentrate produced on 21 January 2005**

Sylvania Resources Limited (“Sylvania”) owns a 25% interest in a Consortium (known as RK1) led by Aquarius Platinum Limited which treats chromite tailings through a purpose built plant adjacent to its Kroondal Mine in order to extract platinum group metals (platinum, palladium, rhodium and gold).

The construction of the processing facilities progressed according to schedule and construction was substantially complete by early December 2004. Plant commissioning then commenced and routine production operations were established by mid January 2005.

The first concentrate production from the RK1 project was shipped on 21 January 2005.

The initial year of the project is expected to yield in excess of 20,000 ounces of Platinum group metals (“PGMs”), growing to 28,000 ounces per year from the second year, with 25% of the production attributable to Sylvania.

The project economics for the RK1 project, are very robust over a wide range of metal price and exchange rate assumptions. Conservative modeling gave an after-tax internal rate of return of 72% at basket price of US\$521 per PGM ounce with an exchange rate of R7/US\$1. The current PGM basket price for RK1 material sits at around US\$740 per ounce which is a significant premium to the preferred price used in the model and more than compensates for the current Rand Dollar exchange rate of 5.8 Rands to the US\$.

Please refer to the Sylvania Resources Limited website at www.sylvaniamresources.com for photographs providing regular updates on the progress of the construction.



A.C.N 091 415 968

QUARTERLY REPORT 31 DECEMBER 2004

CORPORATE

During the quarter, Mr Edward Nealon and Ms Melissa Sturgess were appointed to the Board of Directors of the Company. Mr Nealon has also been appointed as Chairman of the Company.

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.

During the previous quarter Sylvania 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 has 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 has the obligation to maintain the tenements in good standing during the life of the Option Agreement. Flint has the right to extend the Option Agreement for a further 12 month period, until 16 August 2006 through the payment of A\$10,000 and the share consideration increasing 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 RK1 Consortium, and other opportunities to develop further chromite retreatment projects.

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.

QUARTERLY REPORT 31 DECEMBER 2004

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 Jimlebar 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.

A handwritten signature in black ink, appearing to read "G. Button".

GRANT BUTTON
Managing Director

Further information please contact:

In Australia:

Sylvania Resources Limited

Grant Button

+61 8 9481 8711

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 2004

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors		
1.2 Payments for		10
(a) exploration and evaluation		
(b) development	(1,209)	(1,245)
(c) production		
(d) administration	(148)	(319)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	26	69
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
Net Operating Cash Flows	(1,331)	(1,485)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets		
1.9 Proceeds from sale of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets		
1.10 Loans to other entities	(298)	(298)
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
Net investing cash flows	(298)	(298)
1.13 Total operating and investing cash flows (carried forward)	(1,629)	(1,783)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,629)	(1,783)
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		
1.18	Dividends paid		
1.19	Other – capital raising costs		(81)
	Net financing cash flows	-	(81)
Net increase (decrease) in cash held			
		(1,629)	(1,864)
1.20	Cash at beginning of quarter/year to date	3,788	4,023
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	2,159	2,159

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	67
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	-
4.2 Development	400
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	1,748	2,262
5.2 Deposits at call	411	1,526
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	2,159	3,788

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	51,883,883	51,883,883	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>	32,287,523	32,287,523	<i>Exercise price</i> \$0.20	<i>Expiry date</i> 30/06/2005
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: 31 January 2005
Print name: Managing Director
Grant Button

Notes

-
- 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.

====

+ See chapter 19 for defined terms.