



A.C.N 091 415 968

QUARTERLY REPORT 31 DECEMBER 2006

SYLVANIA RESOURCES LIMITED (ASX:SLV.AX)

HIGHLIGHTS

- **Millsell CWP commissioned and planned tonnages of +7,000 tons of saleable tonnage by the end of January 2007 were achieved.**
 - **Construction of PRP plants at Millsell and Steelport bought forward with completion scheduled for the end of May 2007, which is well ahead of previous planned construction in 2008.**
 - **Everest North drilling progresses well**
 - **Chrome Tailings Re-treatment Project ("CTRP") produced 1866 PGM ounces for the December 2006 quarter, Sylvania attributable: 466 PGM Ounces**
 - **Ambrian Partners appointed as Nominated Adviser and Broker**
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SOUTH AFRICAN OPERATIONS

Progress with Chrome Washing and PGM Recovery Plants

The Millsell Chrome Washing Plant ("CWP") is currently treating a feed of dump material and current tailings from the Samancor Millsell Chrome Plant. During the quarter, construction of the scraper and winch system for mining the main Millsell dump was completed and commissioning work has commenced. By the end of the period, the system was working well and was clearly demonstrating potential as a low cost mining method.

Production for November and December was mainly from the winch mining system on the main dump. Minor modifications to the system to improve the handling of clayey and lumpy feed material were still in progress at the end of the period. The Millsell CWP produced 6951 tons of metallurgical grade chromite concentrate in the December quarter, up from 2209 tons in the previous quarter.

The plant has achieved the original planned cumulative tonnage target of +/- 7,000 tons of 44% saleable chrome concentrate for the period to the end of January 2007.

Construction work on the ball mill, thickener and new tailings pumps at Millsell was delayed by labour shortages and heavy rain during the Christmas holiday period. Work is now scheduled to be completed by mid February.



A.C.N 091 415 968

QUARTERLY REPORT 31 DECEMBER 2006

During the quarter, Matomo Projects Pty Ltd (“Matomo”) has been handling all engineering requirements of the CWP and PRP projects. The Sylvania contract with Matomo, covers all of the remaining engineering associated with the CWP’s and PGM Recovery Plants (“PRP’s”). Matomo are currently working on a cost plus contract basis, but negotiations are well underway to convert this cost plus contract to a fixed price contract.

Designs have been completed and equipment, platework and structural steelwork have been ordered for three CWP’s and three PRP’s. The construction team for the Steelpoort plant commenced civil works in December.

Detailed plans on the Millsell and Stelport PRP’s have been finalised and construction is underway. The third PRP site not yet been finalized as a final decision is pending the outcome of negotiations with a third party. There are various options and the Company is finalising its due diligence to select the most cost effective site. All of the long lead time equipment for this third plant has been ordered, so the final completion date will not be materially effected by the delay in finalizing the plant location.

Samancor Contracts

Subsequent to the end of the quarter, Sylvania announced they had signed an Addendum to the Services and Supply Agreement with Samancor Limited (“Samancor”).

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 PRP’s 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 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 removal of time delays associated with negotiating and acquiring land, and the negotiating of the necessary



A.C.N 091 415 968

QUARTERLY REPORT 31 DECEMBER 2006

environmental and other approvals for the establishment of the plant and tailings storage facilities at a new site.

Sylvania has established a CWP at Millsell and plans to complete construction of additional CWP's at Steelport and Elandsdrift by April 2007.

Significantly, the Addendum has enabled Sylvania to amend its Business plan to bring forward the establishment of its first three PRP's.

Everest North Project

On 21 September 2006, Sylvania announced that it had signed a Letter of Intent with Eastern Platinum Limited (Eastplats) with the objective of establishing a Pool and Share Agreement on the Vygenhoek (Sylvania) and Mareesburg (Eastplats) properties respectively. These properties are contiguous and cover a geologically discreet PGM resource. Combined they constitute the Everest North resource which is similar to the Everest South deposit of Aquarius Platinum Limited in that it is an outlier from the main area of the Bushveld Igneous Complex.

Previous work on the Vygenhoek property has outlined an Inferred Resource of 4.2 million tonnes grading 5.87 4E g/t (Platinum, Palladium, Rhodium and Gold), containing 796,000 ounces of PGM's.

The drilling program currently in progress on Vygenhoek is intended to define a Measured Resource of UG2 ore. To achieve this, the drill-hole collar spacing interval has been set at an average of 200 meters. By the end of the quarter, boreholes VH1 to VH10 had been completed with deflections or twinned holes to give three reef intersections per borehole.

The drilling program is expected to be complete by the end of March 2007. After this there will be a delay of about one month for assay results from Genalysis (Perth, Australia). A further two to three weeks will then be required for geological modeling and resource estimation. Negotiations with Eastern Plats with respect to the proposed JV on Vegenhoek and Mareesburg are ongoing and we anticipate formalizing this agreement once the drilling results have been completed.

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



A.C.N 091 415 968

QUARTERLY REPORT 31 DECEMBER 2006

The PGM basket price for the quarter was \$1,592 per PGM ounce. Cash costs decreased by 3% to R2,143 per 4E PGM ounce as a result of higher volumes. The cash margin for the quarter was 77%.

The dump material project successfully commissioned at the end of the September quarter resulted in a 68% increase in tons processed to 44,000 tons. The ROM grade improved from 3.33 4E g/t to 4.49 4E g/t, yielding 1866 4E PGM ounces (Sylvania attributable 466 ounces).

AUSTRALIAN OPERATIONS

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

On 16 August 2004, Sylvania entered into an Option Agreement with Warwick John Flint ("Flint") over all its Australian tenements 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 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 had the obligation to maintain the tenements in good standing during the life of the Option Agreement.

During the previous quarter, Flint and the Company extended the Option Agreement until 16 February 2007 for an Option fee of \$7,500. Under the terms of the Option Agreement extension, the share consideration component of the exercise price of the Option remains at \$300,000.

CORPORATE

Issue of Options under the Sylvania Resources Option Plan

On the 17th October 2006 the company announced the issue of 1,000,000 Options under the terms of the Sylvania Resources Option Plan to five employees/consultants of the Company.

The Options were issued under the terms of the Sylvania Resources Option Plan and they will not be quoted on ASX/AIM, and may not be transferred without the prior written approval of the Board of Sylvania. The 1,000,000 Options issued today are exercisable at \$0.75 each on or before 30 June 2010. The employees may only exercise their Options in the following tranches:



A.C.N 091 415 968

QUARTERLY REPORT 31 DECEMBER 2006

In respect of:

- (i) one half of the Options issued, 12 months after the deemed date of issue of the Options (13 October 2007); and
- (ii) the remaining half of the Options issued, 24 months after the deemed date of issue of the Options (13 October 2008).

Shares which are issued as a result of the exercise of Options granted under the Option Plan will rank pari passu in all respects with all Shares on issue, and the Company will apply for quotation of those Shares on ASX.

Issue of Shares under the Sylvania Resources Share Plan

Further to shareholder approval received on 30 November 2005, 300,000 shares were issued on 20th December 2006 under the terms of the Sylvania Resources Share Plan to employees of the Company.

The shares issued under the terms of the Sylvania Resources Share Plan may not be sold or otherwise dealt with until the later to occur of the following:

- (a) any loan in respect of the Share is repaid; and
- (b) in respect of:
 - (i) one half of the Shares issued under this Offer, 12 months after the date of issue of the Shares (20 December 2007) ; and
 - (ii) the remaining one half of the Shares issued under this Offer, 24 months after the date of issue of the Shares (20 December 2008).

Issue of Shares

In accordance with its co-operation agreement with Portpatrick Ltd the Company previously issued 5,275,000 million ordinary shares of no par or nominal value in the Company ("Ordinary Shares") to Portpatrick Ltd on 25 July 2006 for securing the prospecting rights to certain prospective tailings dumps.

The company issued a further 1,825,000 million Ordinary Shares to Portpatrick Ltd on 25th October 2006 pursuant to the Co-operation Agreement, dated 7 December 2005.



A.C.N 091 415 968

QUARTERLY REPORT 31 DECEMBER 2006

The Company intends to retreat these tailings for the extraction of chrome and platinum group metals. Under the terms of the co-operation agreement between the Company and Portpatrick, a further 2,900,000 Ordinary Shares remain to be issued to Portpatrick as further consideration in respect of prospective tailings dumps as outlined in announcements on 1 May 2006 and 20 September 2006..

Appointment of Nomad

Ambrian Partners were appointed as the company's Nominated Adviser and Broker on 8th November 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.

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 2006

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	745	745
1.2 Payments for		
(a) exploration and evaluation	(216)	(480)
(b) development	(1,856)	(2,715)
(c) production	(215)	(215)
(d) administration	(1,311)	(3,004)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	280	498
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other – Forex	677	19
Other – GST/VAT Refund	325	358
Other		11
Net Operating Cash Flows	(1,571)	(4,783)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets	(102)	(137)
1.9 Proceeds from sale of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets		
1.10 Loans to other entities	(6)	(119)
1.11 Loans repaid by other entities	156	156
1.12 Other (provide details if material)		
Net investing cash flows	48	(100)
1.13 Total operating and investing cash flows (carried forward)	(1,523)	(4,883)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,523)	(4,883)
	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		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other – capital raising costs		(2,322)
	Net financing cash flows		27,166
	Net increase (decrease) in cash held	(1,523)	22,283
1.20	Cash at beginning of quarter/year to date	29,753	5,804
1.21	Exchange rate adjustments to item 1.20	244	387
1.22	Cash at end of quarter	28,474	28,474

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	230
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

During the quarter the company issued 1,825,000 shares at a deemed issue price of \$0.90 for services rendered in securing opportunities to participate in Eligible Projects involving the re-treatment of Samancor's tailings for the extraction of chrome at Samancor's tailings dumps at its Western Chrome Mines and Eastern Chrome Mines

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	2,766
4.2 Development	6,944
Total	9,710

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	23,881	26,386
5.2 Deposits at call	4,593	3,367
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	28,474	29,753

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	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	2,125,000	2,125,000	0.90	0.90
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	1,000,000	Nil	0.75	30 June 2010
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 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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