



A.C.N 091 415 968

QUARTERLY REPORT 30 JUNE 2006

SYLVANIA RESOURCES LIMITED (ASX:SLV.AX)

HIGHLIGHTS

- **GBP12m capital raising and listing on the Alternative Investment Market of the London Stock Exchange ("AIM") completed**
 - **Contracts with Samancor concluded to produce Platinum Group Metals ("PGM's") and Chromite from tailings in the Bushveld Complex of South Africa**
 - **Chrome Washing Plant commissioned at Millsell**
 - **Feasibility study commenced at Everest North**
 - **Chrome Tailings Re-treatment Project ("CTRP") produced 1,856 PGM ounces for the June 2006 quarter**
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AIM LISTING

Admission to the Alternative Investment Market of the London Stock Exchange Plc ("AIM")

On 21 July 2006, Sylvania shares commenced trading on AIM after a placing raised £12 million (A\$29.6 million) (before expenses). The Company issued 40,000,000 placing shares, representing 27.5 per cent of the enlarged issued share capital of the Company, at 30pence (A\$0.74) per ordinary share. Williams de Broë Plc acted as the Company's Nominated Adviser and Broker. The placement was approved at a general meeting of shareholders of Sylvania held on 26 June 2006



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SOUTH AFRICAN OPERATIONS

Samancor Dumps

During the Quarter, Sylvania signed a range of agreements with Samancor in relation to the retreatment of tailings for the extraction of chrome and PGM's from tailings dumps located in the Bushveld Complex of South Africa. Full details of these contracts are disclosed in the Alternative Investment Market (AIM) Listing Document, dated 17 July 2006.

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 at Everest North 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 commenced in April of this year with diamond drilling planned to commence in the third quarter of 2006. An Environmental Impact Assessment study will be carried out at the same time by Metago Environmental Engineers. Results from this study are due in September/October 2006.

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

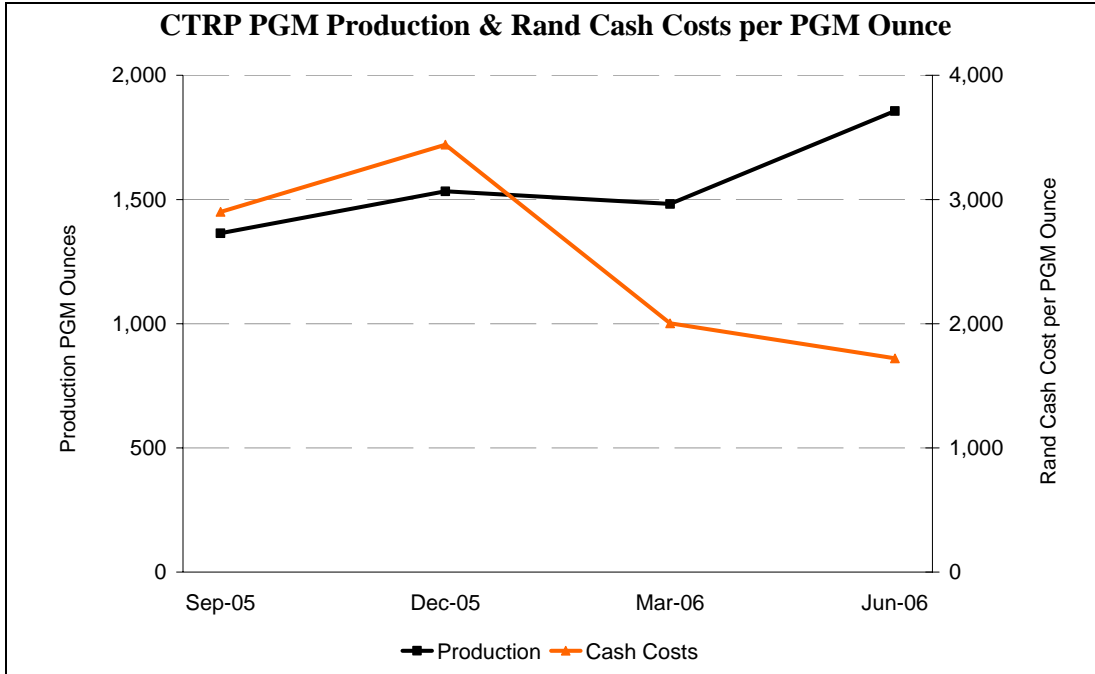
During the quarter only current arisings from the Kroondal Chrome Mine were fed to the CTRP. Consistent and stable operation was achieved producing the following highlights:

- Plant processed 31,625 tons, an increase of 20%
- Production increased 25% to a record 1,856 PGM ounces produced (Sylvania attributable 464 PGM ounces)
- Significant improvement in recoveries to 68% from 51% in the previous quarter reducing cash costs by 14% to R1,721 per PGM ounce.
- PGM basket price for the quarter increased 14% to \$1,449 per PGM ounce.
- Revenue for the quarter more than doubled to R18 million (Sylvania attributable R4.5 million), with the cash margin rising to 88% from 65%.



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A project to add dump material from the Kroondal Chrome Mine to the CTRP feed is progressing well, and scheduled to complete in August 2007 at a cost of approximately R2 million. With an increase in feed planned for the 2007 financial year, it is anticipated that PGM production will continue to increase.

AUSTRALIAN OPERATIONS

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

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.



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CORPORATE

As consideration for facilitation of the Samancor agreement, Sylvania agreed to issue to Portpatrick Ltd (or its nominee) up to a further 14 million shares in Sylvania. Of this amount 4 million shares were issued during the quarter for having successfully obtained the relevant chrome rights for Sylvania. The remaining possible 10 million shares will be issued upon a pro rata basis as the PGM rights are successfully obtained on each tailings dump.

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")

30 June 2006

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	122	156
1.2 Payments for (a) exploration and evaluation	(140)	(461)
(b) development	(779)	(1,363)
(c) production	-	(51)
(d) administration	(766)	(2,368)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	77	437
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other – Forex	56	44
Net Operating Cash Flows	(1,430)	(3,606)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects		
(b)equity investments		(436)
(c) other fixed assets	(11)	(430)
1.9 Proceeds from sale of: (a)prospects		10
(b)equity investments		19
(c)other fixed assets		
1.10 Loans to other entities	(57)	(98)
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
Net investing cash flows	(68)	(935)
1.13 Total operating and investing cash flows (carried forward)	(1,498)	(4,541)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(1,498)	(4,541)
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			
		(1,498)	(4,243)
1.20	Cash at beginning of quarter/year to date	7,389	10,133
1.21	Exchange rate adjustments to item 1.20	(86)	(85)
1.22	Cash at end of quarter	5,805	5,805

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	279
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

During the quarter the company issued 4 million 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	500
4.2 Development	1,500
Total	2,000

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	250	656
5.2 Deposits at call	5,555	6,733
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	5,805	7,389

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.

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	105,529,273	105,529,273	N/A	N/A
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	4,000,000	4,000,000	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	-	<i>Exercise price</i> 0.50	<i>Expiry date</i> 30 June 2009
7.8 Issued during quarter	750,000	-	0.50	30 June 2009
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 July 2006
Company Secretary
Print name: 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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