



**SYLVANIA RESOURCES
LIMITED**

A.C.N. 091 415 968

ANNUAL REPORT
30 JUNE 2004

**SYLVANIA RESOURCES LIMITED
(A.C.N. 091 415 968)**

ANNUAL REPORT

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SYLVANIA RESOURCES LIMITED
(ACN 091 415 968)
AND CONTROLLED ENTITIES

COMPANY PARTICULARS

<i>Directors</i>	Grant Michael Button – <i>Managing Director</i> Kevin Scott Huntly – <i>Non-executive Director</i> Adrian Stephen Paul – <i>Non-Executive Director</i> Dr Evan Kirby - <i>Non Executive Director (Appointed 12 November 2003)</i>
<i>Secretary</i>	Grant Michael Button
<i>Registered Office and Principal Place of Business</i>	Level 4, HPPL House 28 – 42 Ventnor Avenue WEST PERTH WA 6005 Telephone: (08) 9481 8711 Facsimile: (08) 9324 2977 Website: www.sylvaniaresources.com
<i>Share Register</i>	Computershare Investor Services Pty Limited Reserve Bank Building Level 2 45 St George’s Terrace Perth WA 6000
<i>Auditor</i>	HLB Mann Judd Chartered Accountants 15 Rheola Street West Perth WA 6005
<i>Solicitors</i>	Clayton Utz QV1 250 St Georges Terrace Perth WA 6000
<i>Stock Exchange Listings</i>	Sylvania Resources Limited shares and options are listed on the Australian Stock Exchange Ltd (ASX) under the following codes: Shares: SLV Options: SLVO

SYLVANIA RESOURCES LIMITED
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REVIEW OF OPERATIONS AND ACTIVITIES

SOUTH AFRICAN OPERATIONS

Chromite Tailings Retreatment Consortium

In March 2004 Sylvania announced that it had entered into an agreement to acquire a 25% interest in a Consortium (known as RK1) led by Aquarius Platinum Limited which will undertake a project to treat chromite tailings through a purpose built plant at the Aquarius Kroondal Mine in order to extract the platinum group metals (platinum, palladium, rhodium and gold). Sylvania's 25% interest in the Consortium is held through its 100% owned South African subsidiary, Sylvania South Africa (Proprietary) Ltd.

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 production attributable to Sylvania.

The capital cost of the project, which is being managed by Aquarius Platinum (South Africa) (Pty) Ltd, is estimated to be R28.5 million (including working capital). The modelling of the project's projected cash flows indicates that at R7/US\$1, operating costs are expected to be US\$170 per PGM ounce in Year one reducing to US\$145 per PGM ounce thereafter.

The project economics which have been conservatively modelled are very robust over a wide range of metal price and exchange rate assumptions. An after-tax internal rate of return of 72% is generated at the current basket price of US\$521 per PGM ounce with an exchange rate of R7/US\$1.

Construction of the RK1 processing plant has progressed according to schedule. By July 2004, the concrete bases for the flotation cells had been completed and the remaining civil works are also completed. By mid September, all of the flotation cells, tanks and umps had been delivered to site and installed in the plant. Good progress was being made with piping and the electrical work had commenced. Construction costs were being well controlled although there had been minor additions to the scope of work.

During July an additional flotation test was performed by Lakefield Research to generate a concentrate sample for Anglo Platinum. This work was undertaken on a new sample of current tailings from the Xstrata Chrome mine. A laboratory locked cycle test procedure was used to simulate the performance of a full-scale flotation circuit with recycle streams. An excellent grade/recovery result was obtained, further supporting the financial robustness of the project.

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

The Consortium has commenced work on RK2, which is planned to be a similar style retreatment project centred upon the Marikana Mine operated by Aquarius Platinum. Discussions relating to a proposed RK3 project have also commenced.

The Directors of Sylvania see participation in this consortium as a rare opportunity to gain access to PGM cashflow, with relatively low risk, and near term potential for growth of the earnings stream via the development of further chromite retreatment projects.

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REVIEW OF OPERATIONS AND ACTIVITIES
(cont'd)

Sylvania entered into a Deed of Novation with Victoria Global Holdings (“Victoria”) which outlined the terms of Sylvania’s entry into the Consortium. Under the terms of the Deed of Novation, Sylvania has acquired its 25% interest in the Consortium by agreeing to fund £615,000 towards the capital costs of the project, and by issuing 6 million fully paid shares in the Company to Victoria. The Company issued 6 million of its fully paid shares to Victoria in June 2004.

Shareholder approval for the completion of the transaction and for the Placement of shares was received on 22 April 2004.

During April/May 2004 the Company issued and allotted 16,677,652 fully paid ordinary shares at an average price of A\$0.324 which raised A\$5.0 million after capital raising costs. These funds will be utilised to fund Sylvania’s commitment to the RK1 Project, and provide Sylvania with additional funds to assess a number of other PGM projects in South Africa.

AUSTRALIAN OPERATIONS

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 mineralisation.

Jimblebar Copper/Gold

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 mineralisation.

Copper Knob

The Mining Lease 52/211 at Copper Knob, covers a very large body of disseminated low grade sulphide copper mineralisation with some gold values that have been drilled by previous explorers. This mineralization lies within a sequence of felsic and intermediate volcanic rocks that extend for over 9 km forming the Jimblebar copper area. The Copper Knob mining lease has untested potential for an oxide copper resource and for discrete massive copper bearing sulphide bodies.

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REVIEW OF OPERATIONS AND ACTIVITIES
(cont'd)

Subsequent to year end, 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 within 12 months, from 16 August 2004, 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 through the payment of A\$10,000 and the share consideration increasing to A\$300,000.

Sylvania entering into this Option Agreement is consistent with the Board’s stated intention of focusing its attention on the activities of the RK1 Consortium and opportunities to develop further chromite retreatment projects.

SYLVANIA RESOURCES LIMITED
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DIRECTORS' REPORT

Your Directors present their report on the Company and its controlled entities for the financial year ended 30 June 2004.

Directors

The names and particulars of the Directors of the Company who held office during or since the end of the financial year are:

Name	Formal Qualifications	Particulars
Grant M Button	B.Bus.(Acc), CPA	Managing Director aged 42. Appointed December 2002. He has over 14 years experience at a senior management level in the resources industry. He has acted as an Executive Director, Finance Director, CFO and Company Secretary of a range of publicly listed companies.
Adrian S Paul	B.Bus (Acc)	Non-executive Director aged 41. Appointed March 2002. He has 17 years experience in the securities industry, and was previously a partner in stockbroking firm D.J. Carmichael & Co. He now manages a private investment company.
Kevin S Huntly	GDE MSc (Eng)	Non-executive Director aged 42. Appointed December 2002. He has over 24 years experience in the South African mining industry. He operates his own consultancy business advising a number of international mining companies.
Evan Kirby	BSc(Hons) Metallurgy, PhD Metallurgy, MAusIMM, MStAfrIMM	Non-executive Director aged 53. Appointed November 2003. He is a metallurgist who worked in South Africa for a total of 17 years. He then moved to Australia in 1992 and worked for Minproc Engineers and Bechtel before starting his own consulting business in 2002. He has broad experience with the development of a wide range of mining and minerals processing projects in Africa, Australia and other parts of the world.
Gerard Nealon		Resigned 12 November 2003

Principal activities

The principal activity of the consolidated entity during the financial year was investment in mineral exploration and mineral treatment projects.

SYLVANIA RESOURCES LIMITED
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DIRECTORS' REPORT

(cont'd)

Dividends

No dividend has been paid or declared during the financial year. The Directors do not recommend the payment of a dividend.

Review of operations and results

The consolidated loss of the consolidated entity after income tax expense was \$469,793 (2003 - \$2,088,884). Refer to the Review of Operations as set out on page 3.

Subsequent Events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in subsequent financial years.

Likely developments and expected results of operations

Additional comments on expected results of certain of the operations of the consolidated entity are included in the Review of Operations as set out on page 3.

Environmental regulation

The consolidated entity is subject to significant environmental regulations in respect to its exploration and evaluation activities in Australia under State law. There have been no known breaches of these regulations and principles.

Directors' shareholdings

The following table sets out the number of shares owned by each Director, directly or indirectly, at the date of this Report.

Director	Fully paid ordinary shares	30 June 2005 options exercisable @ 20 cents
Grant Button	250,000	250,000
Adrian Paul	6,750,000	7,191,081
Kevin Huntly	Nil	Nil
Evan Kirby	14,300	Nil

Significant changes in the state of affairs

Significant changes in the state of affairs of the consolidated entity during the financial year were:

- In June 2004, the Company completed a placement of 16,677,652 ordinary shares at an average price of \$0.324 per share to raise \$5,035,485 after capital raising costs; and
- In June 2004, the Company issued 6,000,000 ordinary shares at a deemed price of \$0.30 each as consideration for the purchase of a 25% interest in the RK1 consortium.

Share and option schemes

There are no share and/or option schemes in existence at the date of this Report.

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DIRECTORS' REPORT

(cont'd)

Shares under option

At the date of this report there are 32,287,523 options to acquire un-issued ordinary shares in Sylvania Resources Limited exercisable at \$0.20 each at any time on or before 30 June 2005. Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

Meetings of directors

During the financial year there were three formal director meetings. All other matters that required formal board resolutions were dealt with via circulating written rotary resolutions. In addition the Directors met on an informal basis at regular intervals during the year to discuss the Company's affairs. Due to the size of the Board and the nature of the Company's operations there are now no separate committees of the Board of Directors. The number of meetings of the Company's Board of Directors attended by each Director were:

	<i>Directors' meetings held whilst in office</i>	<i>Directors' meetings attended</i>
G Button	3	3
A Paul	3	3
Evan Kirby	2	2
S Huntley	3	3
G Nealon	-	-

Directors' and executive officers' emoluments

The broad remuneration policy for determining the nature and amount of emoluments of board members and senior executives of the Company is to ensure the remuneration package properly reflects the person's duties and responsibilities; and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. The emoluments of each Director were as follows:

	<i>Primary benefits</i>			<i>Post employment</i>	<i>Equity</i>	<i>Total</i>
	<i>Base salary</i>	<i>Consulting fee</i>	<i>Director's fees</i>	<i>Superannuation</i>	<i>Options</i>	
	\$	\$	\$	\$	\$	\$
A S Paul	-	-	20,000	-	-	20,000
G M Button	-	-	20,000	-	-	20,000
K S Huntly	-	26,064	20,000	-	-	46,064
E Kirby	-	-	12,931	-	-	12,931
G A Nealon	-	17,500	-	-	-	17,500

For the period to 30 June 2004 there were no executive officers of the Company. Since 1 July 2004 the Company has had 1 executive officer.

Insurance of officers

During the year the Company has paid premiums in respect of a contract insuring all Directors and officers of the Company against liabilities incurred as Directors or officers to the extent permitted by the Corporations Act 2001. Due to confidentiality clause in the contract the amount of the premium has not been disclosed.

This report is made in accordance with a resolution of the Directors.

Grant M Button
Managing Director
Perth, Western Australia
28 September 2004



SYLVANIA RESOURCES LIMITED
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CORPORATE GOVERNANCE STATEMENT

Introduction

The Company has adopted systems of control and accountability as the basis for the administration of Corporate Governance. Some of these policies and procedures are summarised below.

The following additional information about the Company's Corporate Governance practices is set out on the Company's website at www.sylvaniaresources.com:

- Corporate Governance disclosures and explanations;
- Statement of Board and Management Functions;
- Nomination Committee Charter;
- Policy and Procedure for Selection and Appointment of New Directors;
- Summary of Code of Conduct for Company Executives;
- Summary of Policy for Trading in Company Securities;
- Audit Committee Charter;
- Procedure for the Selection, Appointment and Rotation of External Auditor;
- Summary of Compliance Procedures for ASX Listing Rule Disclosure Requirements;
- Shareholder Communication Strategy;
- Company's Risk Management Policy and Internal Compliance and Control System;
- Statement of process for performance evaluation of the Board, Board committees, individual directors and key executives;
- Remuneration Committee Charter; and
- Corporate Code of Conduct.

Explanations for departures from best practice recommendations

During the Company's 2003/2004 financial year ("**Reporting Period**"), the Company has complied with each of the Ten Essential Corporate Governance Principles¹ and the corresponding Best Practice Recommendations² as published by the ASX Corporate Governance Council ("**ASX Principles and Recommendations**"), other than in relation to the matters specified in the table below.

¹ A copy of the Ten Essential Corporate Governance Principles are set out on the Company's website under the Section entitled "Corporate Governance".

² A copy of the Best Practice Recommendations are set out on the Company's website under the section entitled "Corporate Governance".

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CORPORATE GOVERNANCE STATEMENT

Principle Ref	Recommendation Ref	Notification of Departure	Explanation for Departure
1	1.1A	Formalisation and disclosure of the functions reserved for the Board and those delegated to management occurred on 23 September 2004.	As from 23 September 2004 the Company achieved compliance. Prior to this time the functions were delegated as now disclosed but without formalisation and disclosure.
2	2.1	Two of the four directors considered to be independent, for the reasons provided in the section headed "Identification of Independent Directors".	The Board considers that its current composition is adequate for the Company's current size and operations, and includes an appropriate mix of skills and expertise, relevant to the Company's business.
2	2.2, 2.3	During the Reporting Period the Board did not have a formally appointment chairman. The Managing Director, Grant Button, informally acted in the role of chairman.	The Board acknowledges the importance of appointing an independent chairman and expects to resolve this matter in its 2004/2005 financial year.
2	2.4	From 23 September 2004, the full Board will act as the nomination committee, in accordance with a nomination committee charter.	The role of the nomination committee is carried out by the full Board in accordance with the Nomination Committee Charter. The Board considers that at this stage, no efficiencies or other benefits would be gained by establishing a separate nomination committee. Prior to 23 September 2004, the full Board reviewed and considered the selection and appointment of directors on an as required basis.
3	3.1	A Code of Conduct was formalised and adopted by the Company on 23 September 2004.	Prior to 23 September 2004 the Board considers that its business practices, as led by the example of Board and key executives, were the equivalent of a code of conduct. These practices are now reflected in the Code of Conduct adopted by the Company on 23 September 2004.
4	4.2, 4.3	From 23 September 2004, the full Board will act as the audit committee in accordance with an audit committee charter.	The Company's financial statements are prepared by an external consultant and reviewed in detail by the full Board. The Board considers that it has an adequate balance of independent representation and financial experience to operate the audit committee in this manner.
5	5.1	Until 23 September 2004 there were no written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and accountability for the compliance.	Informal procedures were in place prior to 23 September 2004 which have been formulated into the written policies and procedures.
6	6.1	The Company's shareholder communication strategy was designed and disclosed in a formal way on 23 September 2004.	The Company has a positive strategy to communicate with shareholders, identify the expectations of shareholders and actively promote shareholder involvement in the Company. These strategies have now been documented and disclosed on 23 September 2004.

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CORPORATE GOVERNANCE STATEMENT

Principle Ref	Recommendation Ref	Notification of Departure	Explanation for Departure
7	7.1	The Company did not have a formal framework of risk oversight and management policy and internal compliance and control system until 23 September 2004.	The Company has developed a framework for risk management, which the Company intends to enhance as the Company's operations grow.
8	8.1	During the Reporting Period there was no formal performance evaluation of the Board, its committees and individual directors.	The Board has undergone continuous performance evaluation, which has resulted in significant changes to the composition of the Board in the last two financial years of the Company. The Board will consider whether such procedures should be formalised in its 2004/2005 financial year.
9	9.1	The Company does not have a formal remuneration policy.	Remuneration has been, and continues to be, in accordance with the general principles recommended by the ASX; that is, non-executive directors receive a fixed fee for their services and do not receive performance-based remuneration. There is only 1 key executive in the Company, who receives a fixed fee remuneration package that is subject to adjustment in accordance with performance. To the extent that additional executives are appointed in the future and the scope of the Company's activities expands the Company will reconsider whether a change in the structure of executive remuneration is appropriate.
9	9.2	From 23 September 2004 the full Board will meet as the Remuneration Committee, in accordance with a Remuneration Committee charter. The Company adopted the Remuneration Committee Charter on 23 September 2004.	The Board considers that due to its small size, all members should be involved in determining remuneration levels. Accordingly, time is set aside at one Board meeting each year specifically to address the matters usually considered by a remuneration committee and function in accordance with the Remuneration Committee Charter. Executive directors absent themselves during discussion of their remuneration.
10	10.1	A code of conduct was adopted on 23 September 2004.	Although until 23 September 2004 there was no code of conduct documented or disclosed, the Board considered its business practices, as led by the example of the Board and key executives, were the equivalent of a code of conduct. The Company has now documented these practices and principles into a written code of conduct.

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CORPORATE GOVERNANCE STATEMENT

Skills, experience, expertise and term of office of each director

A profile of each director containing the applicable information is set out in the Directors' Report.

Identification of independent directors

The independent directors of the Company are Kevin Huntly and Adrian Paul.

Mr Huntly is an independent director in accordance with the criteria of independence as set out in Box 2.1 of the commentary that supplements the Principles of Good Corporate Governance and Best Practice Recommendations as published by the ASX Corporate Governance Council ("**Independence Criteria**").

Mr Paul is also considered to be an independent director. Mr Paul is a representative of Sunshore Holdings Pty Ltd, a major shareholder of the Company (approximately 13% shareholding). As a result he does not fall within paragraph 1 of the Independence Criteria. However he fulfils the other Independence Criteria. The Board of the Company (in the absence of Mr Paul) considers he is capable of making decisions and taking actions which are designed to be in the best interests of the Company, and therefore considers him to be independent. The Board notes the potential for conflict in matters where Mr Paul is involved and recognises that in such circumstances Mr Paul would declare such interest and not participate in the decision making process unless otherwise sanctioned by the Board, as is required under the Corporations Act.

Statement concerning availability of independent professional advice

If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his/her office as a director, then, provided the director first obtains approval for incurring such expense from the chairperson, the Company will pay the reasonable expenses associated with obtaining advice.

Names of nomination committee members and their attendance at committee meetings

The full Board will formally carry out the functions of a nomination committee in accordance with a nomination committee charter from 23 September 2004. Prior to this date, any relevant matters were discussed on an as-required basis during regular meetings of the Board.

Names and qualifications of audit committee members

The full Board will carry out the functions of the audit committee in accordance with an audit committee charter.

Each of the Board members has the relevant financial and industry experience required to perform audit committee functions. Details regarding the relevant qualifications of each of the directors are set out in the Directors' Report.

Number of audit committee meetings and names of attendees

The full Board met 3 times in the Reporting Period in respect of the financial accounts.

Performance evaluation of the board and its members

During the Reporting Period the composition and functioning of the Board as a whole was discussed from time to time at regular meetings of the Board. The Board considers that more formal procedure is not warranted at present in view of the small size, and overlap of many of the key functions, of the Board and management.

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CORPORATE GOVERNANCE STATEMENT

Company's remuneration policies

As there is only one key executive, Grant Button, who is also a director of the Company, a detailed policy which distinguishes between executive and non-executive remuneration has not been warranted to date. All of the directors receive a fixed fee for their services, which fees are set in accordance with a shareholder-approved threshold. There is no bonus system in place or other performance-based remuneration such as the achievement of certain key performance indicators. Executive remuneration is determined by the full Board in accordance with fair market rates.

Names of remuneration committee members and their attendance at committee meetings.

From 23 September 2004, the full Board will carry out the function of the remuneration committee, in accordance with a remuneration committee charter. During the Reporting Period, any relevant matters were addressed on an as-required basis from time to time during regular meetings of the Board.

Existence and terms of any schemes for retirement benefits for non-executive directors

There are no retirement benefits for non-executive directors.

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STATEMENTS OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2004

	<i>Notes</i>	<i>Consolidated</i>		<i>Parent entity</i>	
		<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
		\$	\$	\$	\$
Revenue from ordinary activities	2	50,912	1,214,196	50,912	16,128
Borrowing costs expense		-	-	-	-
Cost of exploration tenements sold		-	(448,768)	-	-
Exploration expenditure written off		(25,323)	(2,243,512)	(12,738)	(118,941)
Write down of exploration expenditure to recoverable amount		-	(374,988)	-	-
Write down of non-current assets		(9,633)	(17,030)	(9,633)	(17,030)
Other expenses from ordinary activities	3	(485,749)	(218,782)	(485,749)	(118,134)
Provision for diminution of investment in controlled entity		-	-	-	(1,500,004)
Provision for non-recovery of loan to controlled entity		-	-	(12,585)	(304,550)
Loss from ordinary activities before income tax expense	3	(469,793)	(2,088,884)	(469,793)	(2,042,531)
Income tax expense	4	-	-	-	-
Loss from ordinary activities after income tax expense		(469,793)	(2,088,884)	(469,793)	(2,042,531)
Net loss		(469,793)	(2,088,884)	(469,793)	(2,042,531)
Total revenues, expenses and valuation adjustments attributable to members of Sylvania Resources Limited recognised directly in equity		-	-	-	-
Total changes in equity other than those resulting from transactions with owners as owners		(469,793)	(2,088,884)	(469,793)	(2,042,531)
Basic earnings per share (cents)	18	(1.46)	(6.78)		
Diluted earnings per share (cents)	18	(1.46)	(6.78)		

The accompanying notes form part of these financial statements.

SYLVANIA RESOURCES LIMITED
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STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2004

	<i>Notes</i>	<i>Consolidated</i>		<i>Parent entity</i>	
		2004	2003	2004	2003
		\$	\$	\$	\$
Current assets					
Cash assets		4,023,120	511,322	4,023,120	511,322
Receivables	5	7,493	35,399	257,493	285,399
Total current assets		4,030,613	546,721	4,280,613	796,721
Non-current assets					
Investments	6	2,552,347	30,359	21,519	30,359
Mining tenements	7	250,000	250,000	-	-
Receivables	5	-	-	2,530,828	-
Total non-current assets		2,802,347	280,359	2,552,347	30,359
Total assets		6,832,960	827,080	6,832,960	827,080
Current liabilities					
Payables	8	189,200	258,797	189,200	258,797
Total current liabilities		189,200	258,797	189,200	258,797
Non-current liabilities					
Payables	9	-	290,215	-	290,215
Total non-current liabilities		-	290,215	-	290,215
Total liabilities		189,200	549,012	189,200	549,012
Net assets		6,643,760	278,068	6,643,760	278,068
Equity					
Contributed equity	10	11,957,781	5,122,296	11,957,781	5,122,296
Reserves	11	285,375	285,375	285,375	285,375
Accumulated losses	12	(5,599,396)	(5,129,603)	(5,599,396)	(5,129,603)
Total equity		6,643,760	278,068	6,643,760	278,068

The accompanying notes form part of these financial statements.

SYLVANIA RESOURCES LIMITED
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STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2004

	<i>Notes</i>	<i>Consolidated</i>		<i>Parent entity</i>	
		<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
		\$	\$	\$	\$
Cash flows from operating activities					
Receipts from customers		31,568	23,840	-	23,840
Payments to suppliers and employees		(639,563)	(262,733)	(635,901)	(103,645)
Interest received		50,912	16,128	50,912	16,128
Interest paid		-	-	-	-
Net cash inflow/(outflow) from operating activities	17	(557,083)	(222,765)	(584,989)	(63,677)
Cash flows from investing activities					
Loans from/(to) controlled entity		-	-	(715,507)	117,860
Proceeds from the sale of tenements		-	375,000	-	-
Exploration & evaluation expenditure		(25,323)	(216,993)	(12,738)	(118,941)
Purchase of equity investments		(731,621)	-	(793)	-
Net cash inflow/(outflow) from investing activities		(756,944)	158,007	(729,038)	(1,081)
Cash flows from financing activities					
Repayment of loan from other party		(290,215)	-	(290,215)	-
Proceeds from issue of shares		5,404,571	450,000	5,404,571	450,000
Capital raising costs		(288,531)	-	(288,531)	-
Net cash inflow from financing activities		4,825,825	450,000	4,825,825	450,000
Net increase/(decrease) in cash held		3,511,798	385,242	3,511,798	385,242
Cash at the beginning of the financial year		511,322	126,080	511,322	126,080
Cash at the end of the financial year		4,023,120	511,322	4,023,120	511,322

The accompanying notes form part of these financial statements.

SYLVANIA RESOURCES LIMITED
(ACN 091 415 968)
AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

The financial report covers the consolidated entity of Sylvania Resources Limited and controlled entities, and Sylvania Resources Limited as an individual parent entity. Sylvania Resources Limited is a listed public company registered and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs, except for certain assets that, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial report.

(a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Sylvania Resources Limited ("Company" or "parent entity") as at 30 June 2004 and the results of all controlled entities for the year then ended. Sylvania Resources Limited and its controlled entities together are referred to in this financial report as the Consolidated Entity. The effects of all transactions between entities in the Consolidated Entity are eliminated in full.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences.

(b) Income tax

Tax effect accounting procedures are followed whereby the income tax expense in the statements of financial performance is matched with the accounting profit/loss after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

(c) Acquisitions of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at the acquisition date. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of the acquisition. The discount rate used is the incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

SYLVANIA RESOURCES LIMITED
(ACN 091 415 968)
AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Recoverable amount of non-current assets

The carrying amounts of non-current assets valued on the cost basis, other than exploration and evaluation expenditure carried forward (note 1(i)), are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is recognised as an expense in the net profit or loss in the reporting period in which it occurs.

Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets.

In assessing recoverable amounts of non-current assets the relevant cash flows have not been discounted to their present value, except where specifically stated.

(e) Investments

Interests in listed and unlisted securities, other than controlled entities and associates in the consolidated financial statements are brought to account at the lower of cost or market value and dividend income is recognised in the statement of financial performance when receivable. Controlled entities and associates are accounted for in the consolidated financial statements as set out in note 1(a).

(f) Payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(g) Revenue

Revenue from the sale of assets is recognised upon the transfer of asset title to the purchaser. Interest revenue is recognised on a proportionate basis taking into account the interest rates applicable to the financial assets.

(h) Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing net profit/loss attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, by the weighted average number of ordinary shares, adjusted for any bonus element.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

SYLVANIA RESOURCES LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Exploration and evaluation expenditure

The Consolidated Entity's policy with respect to exploration and evaluation expenditure is to use the "area of interest" method. Under this method, exploration and evaluation costs are carried forward on the following basis:

- (i) Each area of interest is considered separately when deciding whether and to what extent to carry forward or write off exploration and evaluation costs.
- (ii) Exploration and evaluation costs related to an area of interest are carried forward provided that rights to tenure of the area of interest are current and provided further that one of the following conditions are met:
 - such costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively, by its sale; or
 - exploration and/or evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in relation to the area are continuing.

Exploration and evaluation costs accumulated in respect to each particular area of interest includes only net direct expenditure.

- (iii) The carrying values of exploration and evaluation costs are reviewed by Directors where results of exploration and/or evaluation of an area of interest are sufficiently advanced to permit a reasonable estimate of the costs expected to be recouped through successful development and exploitation of the area of interest or by its sale. Expenditure in excess of this estimate is written off to the statements of financial performance in the year in which the review occurs.

(j) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of the acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown exclusive of GST.

(k) Cash

For purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

SYLVANIA RESOURCES LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Adoption of Australian Equivalents to International Financial Reporting Standards

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial periods commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year.

The Company's management is assessing the significance of these changes and preparing for their implementation. An IFRS committee will be established to oversee and manage the Consolidated Entity's transition to IFRS. The Company will seek to keep stakeholders informed as to the impact of these new standards as they are finalised. The directors are of the opinion that the key differences in the Consolidated Entity's accounting policies which will arise from the adoption of IFRS are:

Impairment of Assets

The Consolidated Entity currently determines the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the assets' use and subsequent disposal. In terms of AASB 136: *Impairment of Assets*, the recoverable amount of an asset will be determined as the higher of fair value less costs to sell and value in use. It is likely that this change in accounting policy will lead to impairments being recognised more often than under the existing policy.

Income Tax

Currently, the Consolidated Entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under AASB 112: *Income Taxes*, the Consolidated Entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

The Consolidated Entity also has carried forward income tax losses which have not been recognised as deferred tax assets as they do not satisfy the "virtually certain" test under current Australian Accounting Standards. Under AASB 112, it will be easier to recognise these tax losses as deferred tax assets due to the recognition test being based on whether it is "probable" that the losses will be recovered.

Share-based Payment

Although share based compensation does not form part of the remuneration of directors/employees of the Consolidated Entity the Consolidated Entity currently does not recognise an expense for any share-based compensation granted. Under AASB 2: *Share-Based Payments*, the Consolidated Entity will be required to recognise an expense for such share-based compensation. Share-based compensation is measured at the fair value of the share options determined at grant date and recognised over the expected vesting period of the options. A reversal of the expense will be permitted to the extent that non-market based vesting conditions such as service are not met.

Extractive Industries

The International Accounting Standards Board is yet to release an IFRS based on Exposure Draft 6 "*Exploration for and Evaluation of Mineral Resources*". There remains uncertainty as to whether or not deferred exploration expenditure can continue to be capitalised.

SYLVANIA RESOURCES LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

	<i>Consolidated</i>		<i>Parent entity</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
	\$	\$	\$	\$
NOTE 2 – REVENUE				
Operating activities				
Sale of goods	-	-	-	-
Interest received	50,912	16,128	50,912	16,128
	50,912	16,128	50,912	16,128
Non-operating activities				
Proceeds from sale of tenements	-	1,198,068	-	-
	-	1,198,068	-	-
Total revenue	50,912	1,214,196	50,912	16,128

NOTE 3 - OPERATING LOSS

Loss from ordinary activities before income tax expense includes the following specific net gains and expenses:

Gains

Profit on sale of tenements	-	749,300	-	-
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Expenses

Provision for non-recovery of loan to controlled entity	-	-	12,585	304,550
Provision for diminution of equity investment	9,633	-	9,633	-
Provision for diminution of investment in controlled entity	-	-	-	1,500,004
Write down of tenement exploration to recoverable amount	-	374,988	-	-
Tenement exploration expenses written off	25,323	2,243,512	12,738	118,941
Write down of other non-current assets to recoverable amount	-	17,030	-	17,030

Other expenses from ordinary activities includes the following:

Administration costs	38,322	25,449	38,322	25,449
Compliance cost	66,507	50,227	66,507	50,227
Consulting fees	110,456	8,853	110,456	8,853
Directors fees	32,931	39,066	32,931	39,066
Legal fees	36,445	105,394	32,931	39,066
Project generation costs	115,111	-	115,111	-
Travel	53,752	4,676	53,752	4,676

SYLVANIA RESOURCES LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

	<i>Consolidated</i>		<i>Parent entity</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
	\$	\$	\$	\$

NOTE 4 - INCOME TAX

a) The income tax expense for the financial year differs from the prima facie tax applicable to the loss for the year as follows:

Loss from ordinary activities before income tax expense	(469,793)	(2,088,884)	(469,793)	(2,042,531)
Income tax calculated @ 30%	(140,938)	(626,665)	(140,938)	(612,759)
Tax effect of permanent differences:				
Non deductible expenses	38,358	-	38,358	541,366
Tax benefit not recognised	102,580	626,665	102,580	71,393
Income tax expense	-	-	-	-

b) The directors estimate that the potential future income tax benefit in respect of tax losses not brought to account calculated at 30% is:

	1,059,973	958,677	1,022,975	925,454
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This benefit for tax losses will only be obtained if:

- (i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (ii) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation, and
- (iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

c) Tax consolidation

During the year legislation was enacted to allow groups, comprising a parent entity and its Australian resident wholly-owned entities to elect to be consolidated and be treated as a single entity for income tax purposes. The legislation, which includes both mandatory and elective elements, is applicable to Sylvania Resources Limited.

At the reporting date the Directors have decided to elect to be taxed as a single entity. In accordance with Urgent issues Group (UIG) Consensus Views, UIG 39 "Effect of proposed tax consolidation legislation on deferred tax balances", the financial effect of the legislation has not been brought to account in the financial statements for the year ended 30 June 2004, except to the extent that the adoption of the tax consolidation would impair the carrying value of any deferred tax assets.

NOTE 5 – RECEIVABLES

Current

Sundry debtors	-	31,568	-	-
Net GST receivable	7,493	3,831	7,493	3,831
Amount receivable from controlled entity	-	-	567,135	586,118
Provision for non-recovery of loan to controlled entity	-	-	(317,135)	(304,550)
	7,493	35,399	257,493	285,399

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FOR THE YEAR ENDED 30 JUNE 2004

	<i>Consolidated</i>		<i>Parent entity</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
	\$	\$	\$	\$

NOTE 5 – RECEIVABLES (CONT)

Non-current

Amount receivable from controlled entity	-	-	2,530,828	-
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NOTE 6 – INVESTMENTS

RK1 Consortium investment – at cost	2,530,828	-	-	-
Unlisted equity investments – at cost	-	20,000	-	20,000
Listed investments – at valuation	21,519	10,359	21,519	10,359
Investment in controlled entity	-	-	1,500,004	1,500,004
Provision for diminution in value of investment in controlled entity	-	-	(1,500,004)	(1,500,004)
	2,552,347	30,359	21,519	30,359

NOTE 7 – MINING TENEMENTS

Acquisition, exploration and evaluation expenditure at written down recoverable amount in respect of areas of interest in the exploration phase

Less: Write down to recoverable amount

	250,000	624,988	-	-
	-	(374,988)	-	-
	250,000	250,000	-	-

Movements:

Australia:

Opening balance	250,000	3,100,275	-	-
Direct expenditure for the year	25,323	216,993	12,738	118,941
Cost of tenements sold	-	(448,768)	-	-
Amounts written off	(25,323)	(2,243,512)	(12,738)	(118,941)
Write down to recoverable amount	-	(374,988)	-	-
Balance at end of financial year	250,000	250,000	-	-

Ultimate recovery of exploration and evaluation expenditure carried forward is dependent upon the recoupment of costs through successful development and commercial exploitation, or alternatively by sale of the respective areas.

NOTE 8 – CURRENT LIABILITIES

Payables - sundry creditors	189,200	258,797	189,200	258,797
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Of the payables \$50,074 (2003: \$117,335) is denominated and payable in South African rand.

NOTE 9 – NON-CURRENT LIABILITIES

Payable- unsecured loan from other corporation	-	290,215	-	290,215
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SYLVANIA RESOURCES LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

	<i>Consolidated</i>		<i>Parent entity</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
	\$	\$	\$	\$

NOTE 10 - CONTRIBUTED EQUITY

a) Ordinary shares

51,883,883 fully paid ordinary shares (2003: 29,206,231)	11,957,781	5,122,296
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Movements in share capital:

Balance at the beginning of the financial year	5,122,296	5,495,364
16,677,652 ordinary shares issued at an average price of \$0.324 each	5,404,571	-
6,000,000 ordinary shares issued at \$0.30 each to acquire a 25% interest in the RK1 consortium	1,800,000	-
3,000,000 ordinary shares issued at \$0.15 each	-	450,000
6,331,292 ordinary shares cancelled at a deemed value of \$0.13 each in consideration for the sale of certain mineral tenements	-	(823,068)
Capital raising costs	(369,086)	-

Balance at the end of the financial year	11,957,781,	5,122,296
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Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the parent entity, ordinary shareholders rank after all creditors and are fully entitled to any proceeds on liquidation.

b) Options

At as year-end there were 32,287,523 (2003: 32,287,523) options to acquire ordinary fully paid shares at \$0.20 at any time on or before 30 June 2005.

NOTE 11 – RESERVES

Option reserve	285,375	285,375	285,375	285,375
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The option reserve comprises amounts paid by option holders in the past on the issue of options.

NOTE 12 - ACCUMULATED LOSSES

Accumulated losses at the beginning of the financial year	5,129,603	3,040,719	5,129,603	3,087,072
Net loss for the year	469,793	2,088,884	469,793	2,042,531
Balance at the end of the financial year	5,599,396	5,129,603	5,599,396	5,129,603

SYLVANIA RESOURCES LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

NOTE 13 - FINANCIAL INSTRUMENTS

(a) Credit risk exposures

Credit risk relates to the risk that counterparties will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted a policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from any defaults.

The exposure of the consolidated entity to credit risk in relation to each class of recognised financial asset is the carrying amount as indicated in the statements of financial position.

(b) Net fair values

The fair values of all financial assets and liabilities approximate their carrying values as indicated in the statements of financial position.

(c) Interest rate risk

All cash balances attract a floating rate of interest. The unsecured loan from another corporation does not attract interest. The consolidated entity's exposure to interest rate risk and the effective interest rate by maturity periods is set out below.

<i>2004</i>	<i>Weighted Average Interest Rate</i>	<i>Non- Interest Bearing</i>	<i>Floating interest rate</i>	Fixed interest :		<i>Total</i>
				<i>1 year or less</i>	<i>Over 1 to 5 years</i>	
Financial assets						
Cash and deposits	4.3%	-	4,023,120	-	-	4,023,120
Receivables	-	7,493	-	-	-	7,493
Investments	-	21,519	-	-	-	21,519
		<u>29,012</u>	<u>4,023,120</u>	<u>-</u>	<u>-</u>	<u>4,052,132</u>
Financial liabilities						
Payables	-	<u>(189,200)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(189,200)</u>
Net financial assets/(liabilities)		<u>(160,188)</u>	<u>4,023,120</u>	<u>-</u>	<u>-</u>	<u>3,862,932</u>

<i>2003</i>	<i>Weighted Average Interest Rate</i>	<i>Non- Interest Bearing</i>	<i>Floating interest rate</i>	Fixed interest :		<i>Total</i>
				<i>1 year or less</i>	<i>Over 1 to 5 years</i>	
Financial assets						
Cash and deposits	3.75%	-	511,322	-	-	511,322
Receivables	-	35,399	-	-	-	35,399
Investments	-	30,359	-	-	-	30,359
		<u>65,758</u>	<u>511,322</u>	<u>-</u>	<u>-</u>	<u>577,080</u>
Financial liabilities						
Payables	-	<u>(549,012)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(549,012)</u>
Net financial assets/(liabilities)		<u>(483,254)</u>	<u>511,322</u>	<u>-</u>	<u>-</u>	<u>28,068</u>

SYLVANIA RESOURCES LIMITED
(ACN 091 415 968)
AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

NOTE 14 – REMUNERATION OF DIRECTORS AND EXECUTIVES

(a) Names and positions held of parent entity directors and specific executives in office at any time during the financial year are:

Parent Entity Directors

Mr. G Button	Managing Director	Non-executive
Mr. A Paul	Director	Non-executive
Mr. E Kirby	Director	Non-executive
Mr. S Huntley	Director	Non-executive
Mr. G Nealon (resigned 12 November 2003)	Director	Non-executive

Specified Executives

Due to the size of the company and its current level of operations, there were no executives employed during the financial year.

(b) Parent Entity Directors' Remuneration

	Primary Benefits		Post employment	Total
	Salary & Directors fees	Consulting fees	Superannuation	
2004				
Mr Button	20,000	-	-	20,000
Mr Paul	20,000	-	-	20,000
Mr Kirby	12,931	-	-	12,931
Mr Huntley	20,000	26,064	-	46,064
Mr Nealon	-	17,500	-	17,500
	72,931	43,564	-	116,495
2003				
Mr Button	-	-	-	-
Mr Paul	-	-	-	-
Mr Huntley	-	3,980	-	3,980
Mr Nealon	-	29,900	-	29,900
Mr Jessup	-	25,284	-	25,284
Mr Mews	9,166	-	-	9,166
Mr Griffin	-	-	-	-
	9,166	59,164	-	68,330

There has been no equity based compensation paid to directors in the last two financial years.

SYLVANIA RESOURCES LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

NOTE 14 – REMUNERATION OF DIRECTORS AND EXECUTIVES

(c) Shares and options held by Parent Entity Directors

Fully paid ordinary shares

Director	Balance at 1 July 2003	Net Changes*	Balance at 30 June 2004
Grant Button	250,000	-	250,000
Adrian Paul	6,750,000	-	6,750,000
Kevin Huntly	Nil	-	Nil
Evan Kirby	14,300	-	14,300

30 June 2005 options exercisable at 20 cents

Director	Balance at 1 July 2003	Net Changes*	Balance at 30 June 2004
Grant Button	250,000	-	250,000
Adrian Paul	6,511,980	679,101	7,191,081
Kevin Huntly	Nil	-	Nil
Evan Kirby	Nil	-	Nil

* Refers to securities purchased or sold during the year.

(c) Remuneration practices

The Company's policy for determining the nature and amount of emoluments of board members and senior executives of the company is as follows:

Remuneration levels are competitively set to attract the most qualified and experienced directors and senior executive officers.

All directors receive fees for services as a director. These fees are paid in cash, the fees are fixed and approved by shareholders and are not related to the performance of the Company. The Company's Constitution provides that directors may collectively be paid a fixed sum not exceeding the aggregate maximum per annum from time to time as determined by the Company. A director may be paid fees or other amounts as the directors determine where a director performs special duties or otherwise performs services outside the scope of the ordinary duties of a director.

Since 30 June 2004 Messrs Button, Kirby and Huntley have entered into consulting agreements with the Company pursuant to which they each receive a fixed monthly retainer.

SYLVANIA RESOURCES LIMITED
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FOR THE YEAR ENDED 30 JUNE 2004

<i>Consolidated</i>		<i>Parent entity</i>	
<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
\$	\$	\$	\$

NOTE 15 – REMUNERATION OF AUDITORS

Audit and review services	12,300	16,115	12,300	16,115
Other services –tax compliance	4,495	11,467	4,495	11,467
	16,795	27,582	16,795	27,582
	16,795	27,582	16,795	27,582

NOTE 16 - INVESTMENTS IN CONTROLLED ENTITIES

(a) Investment in controlled entities

<i>Name of entity</i>	<i>Country of registration</i>	<i>Class of shares</i>	<i>Equity holding</i>		<i>Book value of parent entity's investment</i>	
			<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
			%	%	\$	\$
Twinloop Nominees Pty Ltd	Australia	Ordinary	100	100	Nil	Nil
Sylvania South Africa (Proprietary) Ltd	South Africa	Ordinary	100	-	Nil	-

(b) Transactions between wholly-owned group

The wholly owned group consists of Sylvania Resources Limited and its wholly owned controlled entities, Twinloop Nominees Pty Ltd and Sylvania South Africa (Proprietary) Ltd. The ownership interest in these controlled entities are set out above. Transactions between Sylvania Resources Limited and its controlled entities during the year consisted of loans advanced interest-free by Sylvania Resources Limited.

	<i>Parent entity</i>	
	<i>2004</i>	<i>2003</i>
	\$	\$
Aggregate amounts receivable from entities in the wholly-owned group at balance date:		
Current receivables (loans)	567,135	586,188
Provision for non-recovery of loans	(317,135)	(304,550)
	250,000	281,638
Non-current receivables (loans)	2,530,828	-

SYLVANIA RESOURCES LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

	<i>Consolidated</i>		<i>Parent entity</i>	
	2004	2003	2004	2003
	\$	\$	\$	\$
NOTE 17 - CASH FLOW INFORMATION				
a) <i>Reconciliation of loss from ordinary activities after income tax to net cash outflow from operating activities</i>				
Loss from ordinary activities after income tax	(469,793)	(2,088,884)	(469,793)	(2,042,531)
Profit on sale of tenements		(749,300)		-
Write down of other non-current assets to recoverable amount	9,633	17,030	9,633	17,030
Write down of exploration expenditure to recoverable amount	-	374,988	-	-
Mining tenement expenditure written off	25,323	2,243,512	12,738	118,941
Write down of investment in and loan to controlled entity	-	-	12,585	1,804,554
(Increase) / Decrease in receivables	27,906	(11,559)	(3,662)	20,009
Increase/(Decrease) in payables	(150,152)	(8,552)	(146,490)	18,320
Net cash outflow from operating activities	(557,083)	(222,765)	(584,989)	(63,677)

b) *Non-cash financing and investing activities*

During the financial year the following non-cash financing or investing activities occurred:

- 6,000,000 ordinary shares were issued at a deemed issue price of \$0.30 each as part consideration for the acquisition of a 25% interest in the RK1 consortium.

SYLVANIA RESOURCES LIMITED
(ACN 091 415 968)
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

	<i>Consolidated</i>	
	2004	2003
	\$	\$
NOTE 18 - EARNINGS PER SHARE		
a) Earnings used in the calculation of earnings per share	(469,793)	(2,088,884)
	<i>Number</i>	<i>Number</i>
b) Weighted average number of ordinary shares used in the calculation of basic earnings per share	32,174,713	30,829,949

Options are considered to be potential ordinary shares. However, they are not considered to be dilutive in nature, as their exercise will not result in a diluted earnings per share that shows an inferior view of earnings performance of the consolidated entity than is shown by basic earnings per share.

NOTE 19 – COMPANY DETAILS

Sylvania Resources Limited is a publicly listed company limited by shares, registered and domiciled in Australia.

At reporting date, the consolidated entity had no employees.

NOTE 20 – COMMITMENTS

Exploration Expenditure Commitments

Under the terms of tenement licences granted by the relevant Australian State Department, minimum annual expenditure obligations must be met in order for mining tenements to maintain a status of good standing. The following amounts may be required to be expended on exploration expenditure on mining tenements in which the consolidated entity has an interest.

Rk1 Consortium Expenditure Commitments

Under the terms of the RK1 consortium agreement the Company has certain obligations to fund a portion of the RK1 capital costs incurred. Sylvania is committed to GBP615,000 of the initial capital construction costs plus 25% of any capital expenditure in excess of budget.

The above obligations are not provided for in the financial report and are payable as set out below:

	<i>Consolidated</i>		<i>Parent entity</i>	
	2004	2003	2004	2003
	\$	\$	\$	\$
Within one year	1,615,000	24,800	-	-
Later than one year but not later than five years	-	-	-	-
Later than five years	-	-	-	-

NOTE 21 – SEGMENT REPORTING

The consolidated controlled entity has mineral exploration and investment interests in both Australia and South Africa.

SYLVANIA RESOURCES LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

NOTE 21 – SEGMENT REPORTING
(Cont'd)

	Australia		South Africa		Elimination		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUE								
External sales	-	-	-	-	-	-	-	-
Total sales revenue								
Other revenue	50,912	1,214,196	-	-	-	-	50,912	1,214,196
Share of net profits of equity accounted associates and joint venture entities	-	-	-	-	-	-	-	-
Total segment revenue	50,912	1,214,196	-	-	-	-	50,912	1,214,196
Unallocated revenue							-	-
Total revenue							50,912	1,214,196
RESULT								
Segment result	(341,944)	(1,969,943)	(127,849)	(118,941)	-	-	(469,793)	(2,088,884)
Unallocated expenses net of unallocated revenue							-	-
Loss from ordinary activities							(469,793)	(2,088,884)
Income tax expense							-	-
Net profit							(469,793)	(2,088,884)
ASSETS								
Segment assets	4,302,132	827,080	2,530,828	-	-	-	6,832,960	827,080
Unallocated assets							-	-
Total assets							6,832,960	827,080

SYLVANIA RESOURCES LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

NOTE 21 – SEGMENT REPORTING (Cont'd)

	Australia		South Africa		Elimination		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003
	\$	\$	\$	\$	\$	\$	\$	\$
LIABILITIES								
Segment liabilities	139,126	312,736	50,074	236,276	-	-	189,200	549,012
Unallocated liabilities							-	-
Total liabilities							189,200	549,012
OTHER								
Write down of non-current assets to recoverable amount	9,633	17,030	-	-	-	-	9,633	17,030

SYLVANIA RESOURCES LIMITED
(ACN 091 415 968)
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

DIRECTORS' DECLARATION

The directors declare that:

1. The financial statements and notes set out on pages 14 to 32 are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (b) give a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2004 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



G M Button
Managing Director

Perth, Western Australia
28 September 2004

INDEPENDENT AUDIT REPORT

**To the members of
SYLVANIA RESOURCES LIMITED**

Scope

The Financial Report and Directors' Responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Sylvania Resources Limited ("the company") and the consolidated entity for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during the year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing and Assurance Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects, the financial report presents fairly, in accordance with the Corporations Act 2001, Accounting Standards and other mandatory professional reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements, the Corporations Act 2001.

Audit Opinion

In our opinion, the financial report of Sylvania Resources Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of Sylvania Resources Limited and the consolidated entity as at 30 June 2004 and of their performance for the year then ended; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

L Di Giallonardo

L DI GIALONARDO
Partner

Perth, Western Australia
28 September 2004

SYLVANIA RESOURCES LIMITED
(ACN 091 415 968)

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The shareholder information set out below was applicable as at 31 August 2004.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	<i>Class of equity security</i>	
	<i>Ordinary shares</i>	<i>Options</i>
1 – 1,000	3	3
1,001 – 5,000	43	16
5,001 – 10,000	117	111
10,001 – 100,000	159	175
100,001 and over	47	56
	369	361

There were 7 holders of less than a marketable parcel of ordinary shares.

B. Equity security holders

Twenty largest quoted equity security holders – ordinary shares

Name	Ordinary shares	
	No. held	% of issued shares
National Nominees Ltd	7,915,000	15.26
Sunshore Holdings Pty Ltd	6,750,000	13.01
Victoria Global Holdings Limited	6,000,000	11.56
WB Nominees Limited	2,614,437	5.04
Westpac Custodian Nominees Limited	1,900,000	3.66
ANZ Nominees Limited	1,790,000	3.45
Darenth Securities Limited	1,625,000	3.13
Fisherstreet Management Limited	1,500,000	2.89
Bell Potter Nominees Pty Ltd	1,170,000	2.26
Nefco Nominees Pty Ltd	1,000,000	1.93
HSBC Custody Nominees (Australia) Ltd	825,973	1.59
Dr Salim Cassin	682,360	1.32
Timriki Pty Ltd	650,000	1.25
Mr See Chong Cheong	625,000	1.20
Ferlim Nominees Limited	600,000	1.16
Vidacos Nominees Limited	600,000	1.16
Danyland Limited	575,000	1.11
JM Finn Nominees Limited	537,700	1.04
Mirabaud & Cie	520,000	1.00
Penally Management Limited	500,000	0.96
	38,380,470	73.98

SYLVANIA RESOURCES LIMITED
(ACN 091 415 968)

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES (cont)

B. Equity security holders (cont)

Twenty largest quoted equity security holders - 30 June 2005 options

Name	Option holders	
	No. held	% of issued options
Sunshore Holdings Pty Ltd	7,191,081	22.27
Mr C Almondur	1,295,880	4.01
Mr Warwick John Flint	1,050,000	3.25
ANZ Nominees Pty Ltd	800,000	2.48
Goldbull Pty Ltd	600,000	1.86
Timriki Pty Ltd	600,000	1.86
Westpac Custodian Nominees Pty Limited	600,000	1.86
Hopetoun Nominees Pty Ltd	500,000	1.55
Roxtel Pty Ltd	500,000	1.55
Bell Potter Nominees Pty Ltd	436,719	1.35
Mr Donald Maloney <Super Fund A/c>	375,000	1.16
Mr Peter McAleer	375,000	1.16
Fortis Clearing Nominees Pty Ltd	340,000	1.05
Fisherstreet Management Limited	325,000	1.01
Mr A Hurwitz	300,000	0.93
Mr K Rogerson	300,000	0.93
Howells Kidner Pty Ltd	290,000	0.90
Mr Donald Maloney	255,000	0.79
Mr G Button	250,000	0.77
Najava Pty Ltd (Macintosh Super Fund A/C)	250,000	0.77
	16,633,680	51.51

C. Substantial shareholders

Substantial shareholders in the Company are set out below:

	Number Held	Percentage
Ordinary shares		
Sunshore Holdings Pty Ltd	6,750,000	13.01
Victoria Global Holdings Limited	6,000,000	11.56

D. Voting rights

The voting rights attaching to each class of equity securities are set out below:

(a) **Ordinary shares**

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) **Options**

No voting rights.

SYLVANIA RESOURCES LIMITED
(ACN 091 415 968)

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES (cont)

E. Tenement schedule

<u>Project</u>	<u>Tenement Number</u>	<u>% Held</u>
Copper Knob	M52/211	100
Jimblebar	P52/869	80
	MLA52/739	80
	P52/972	100
RK1 Consortium	South Africa chrome tailings re-treatment project	25