

CORPORATE DIRECTORY

DIRECTORS:

Dr Alistair Cowden
Executive Chairman

Mr Brett Dickson
Finance Director

Mr Michael Blakiston
Non-Executive Director

COMPANY SECRETARY:

Mr Brett Dickson

BANKERS:

Bank of Western Australia
1215 Hay Street
West Perth WA 6005

AUDITOR:

Ernst & Young
Level 34, Central Park
152 St George's Terrace
Perth WA 6000

Telephone: (08) 9429 2222
Facsimile: (08) 9429 2436

SOLICITORS:

Blakiston & Crabb
1202 Hay Street
West Perth WA 6005

Telephone: (08) 9322 7644
Facsimile: (08) 9322 1506

CORPORATE ADVISORS:

Chatsworth Stirling
1202 Hay Street
West Perth WA 6005

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For shareholder information contact:

SHARE REGISTRY:

Computershare Registry Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
Perth WA 6000

Telephone: (08) 9323 2000
Facsimile: (08) 9323 2033

STOCK EXCHANGE:

Australian Stock Exchange Limited

Company Code:
VCN (Fully Paid Shares)
VCNO (31 December 2005 options)

Issued Capital:
25,134,000 Fully paid ordinary shares
12,410,001 25 cent, 31 December 2005 options
4,000,000 20 cent, 30 June 2007 options

For information on your company contact:

PRINCIPAL AND REGISTERED OFFICE:

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CHAIRMAN'S REVIEW

DEAR FELLOW SHAREHOLDER,

I am pleased to present this Annual Report being for the first full year of the Company's operations.

Vulcan listed on the Australian Stock Exchange in September 2002 with the aim of exploring its West Australian gold projects and to seek a substantial opportunity for acquisition. In the Saulyak Gold Project in The Republic of Ukraine, Vulcan has found a project that has the capacity to propel the Company to the ranks of medium-sized gold producers.

Following a successful Due Diligence and Shareholder Approval of the acquisition of Saulyak, which is expected by December 2003, the Company will embark on a program to gather sufficient information to commence a Bankable Feasibility Study in late 2004. At Saulyak, prior to the collapse of the former Soviet Union, approximately US\$4 million was spent on extensive underground development, drilling and metallurgical test work. Should Vulcan's Due Diligence verify this work, much of the technical risk will have been removed and the project will be on the path to development.

Developing mines outside Australia can be a challenge and Vulcan is aware of the need for appropriate systems and people to meet the challenge. Vulcan has already engaged RSG Global who have extensive experience in neighbouring Romania and has also engaged senior Ukrainian technical and administrative staff. Ukraine is a country that is growing fast and keen to take its place in Europe. It has set itself the goal of achieving the criteria for European Union membership by 2011.

In Western Australia, the Company has completed the exploration drilling programs at the Yindi and Mulgabby projects and undertaken soil sampling at Black Hills and Varden. While we still await the result of the Varden program, results were generally disappointing. The Company also entered into a joint venture with Sons of Gwalia Limited over 792km² of our Keith-Kilkenny project.

The year ahead promises to be an exciting one and I look forward to providing continued positive news from our exploration and development programs in Ukraine in the months ahead.



ALISTAIR COWDEN
Chairman

SAULYAK GOLD DEPOSIT

OVERVIEW

On 6th August 2003 the Company entered into an agreement to purchase 100% of a company which holds a 74.68% interest in the Saulyak Gold Project in The Republic of Ukraine. The mine is located in the southwest of Ukraine in the Carpathian Mountains, close to the Romanian border.



Saulyak is an underground gold mine discovered in 1974, partly developed in the 1980's when over 9km of underground development was completed via adits on two levels. No production took place but extensive sampling and metallurgical testwork was completed. The collapse of the former Soviet Union and the subsequent independence of Ukraine in 1991 resulted in a hiatus in funding for the project. The purchase is subject to a successful drilling and technical validation program which is expected to be completed by November 2003 and also requires shareholder approval by 15th December 2003.

DESCRIPTION OF DEPOSIT

The deposit is in southwest of Ukraine within the Rakhiv district and on the outskirts of the village of Dilove near the Romanian boarder. Access and infrastructure are good with a paved highway, railway and power all in the village of Dilove.

The deposit occurs on the slopes of forested hills and mountains bordering the Tysa River. Steep slopes, up to 30°, make the deposit very amenable to simple horizontal underground access via adit. There is currently an active marble mining and processing operation on the hills directly above the deposit.

Gold mineralisation is exposed at surface and in underground workings. Mineralisation is hosted within multiple quartz-carbonate bodies averaging 5-6m thick with individual zones up to 250m in strike length. The average grade of gold mineralisation is 7-9g/t and gold occurs as discrete grains. Metallurgical recoveries of up to 87% have been achieved by simple gravity recovery techniques.

The deposit occurs within a 40m thick, laterally extensive thrust zone which dips at 25° and is disrupted by a series of post-mineralisation faults. Existing drilling, together with underground development, has demonstrated mineralisation in discrete shoots or lenses over 1.0km in strike and 1.3km from surface to the southernmost hole down dip. This hole highlights the potential of the system. It contains multiple intercepts at high gold grades (8m @ 14.4g/t, 2m @ 6.1g/t, 2m @ 22.5g/t) and demonstrates that mineralisation may occur as discrete stacked 'shoots' within a 2-3km² area and that the deposits are not constrained down dip. This mineralisation would be approximately 500m, via adit, from the surface.

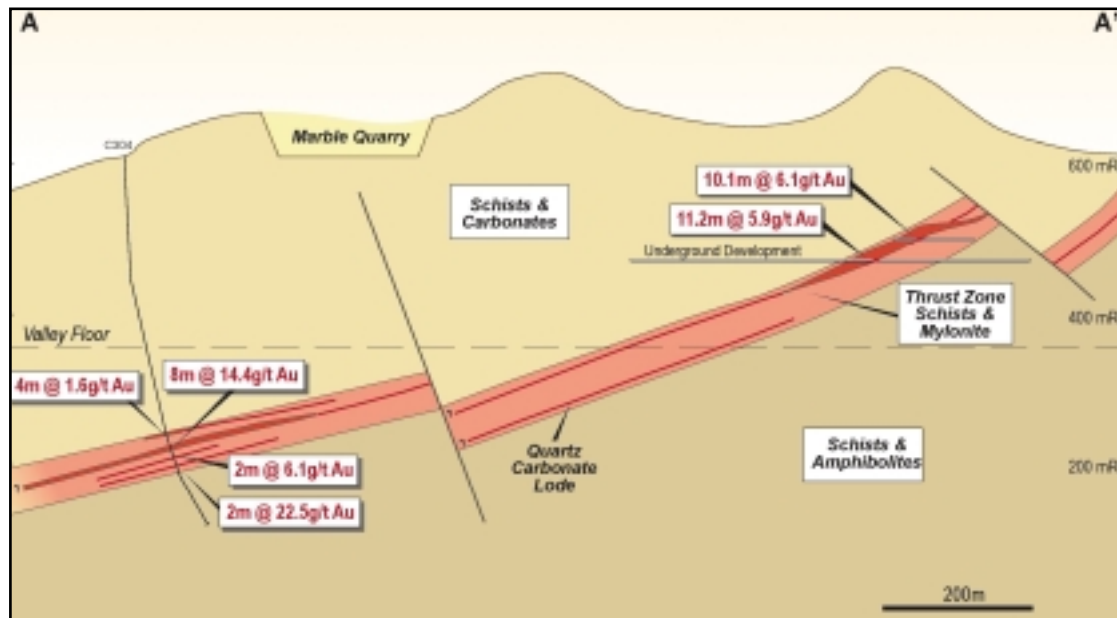
Vulcan believes this large mineralised system has the potential to host a significant gold deposit and that the Saulyak deposit and its surrounds have excellent potential for delineation of additional resources.

SAULYAK GOLD DEPOSIT

Existing surface and underground drilling is unreliable due to less than 50% core recovery and gold loss to fines. Grades from drilling show no correlation with underground development sampling, generally returning only 20% or so of underground sampling values. As a consequence, reliable resource estimates cannot be made without additional drilling and sampling. Vulcan is funding a program of drilling to validate existing data and to permit a resource estimate to current best practice. The program has three major elements:

- 1) to resample underground workings, permitting the validation of previous extensive sampling for Resource Estimation and drilling in the vicinity of the workings to test mineralisation indicated by previous poor quality underground drilling;
- 2) to test the nature and extent of mineralisation down plunge of workings; and
- 3) to validate metallurgical test work indicating up to 87% gravity gold recovery.

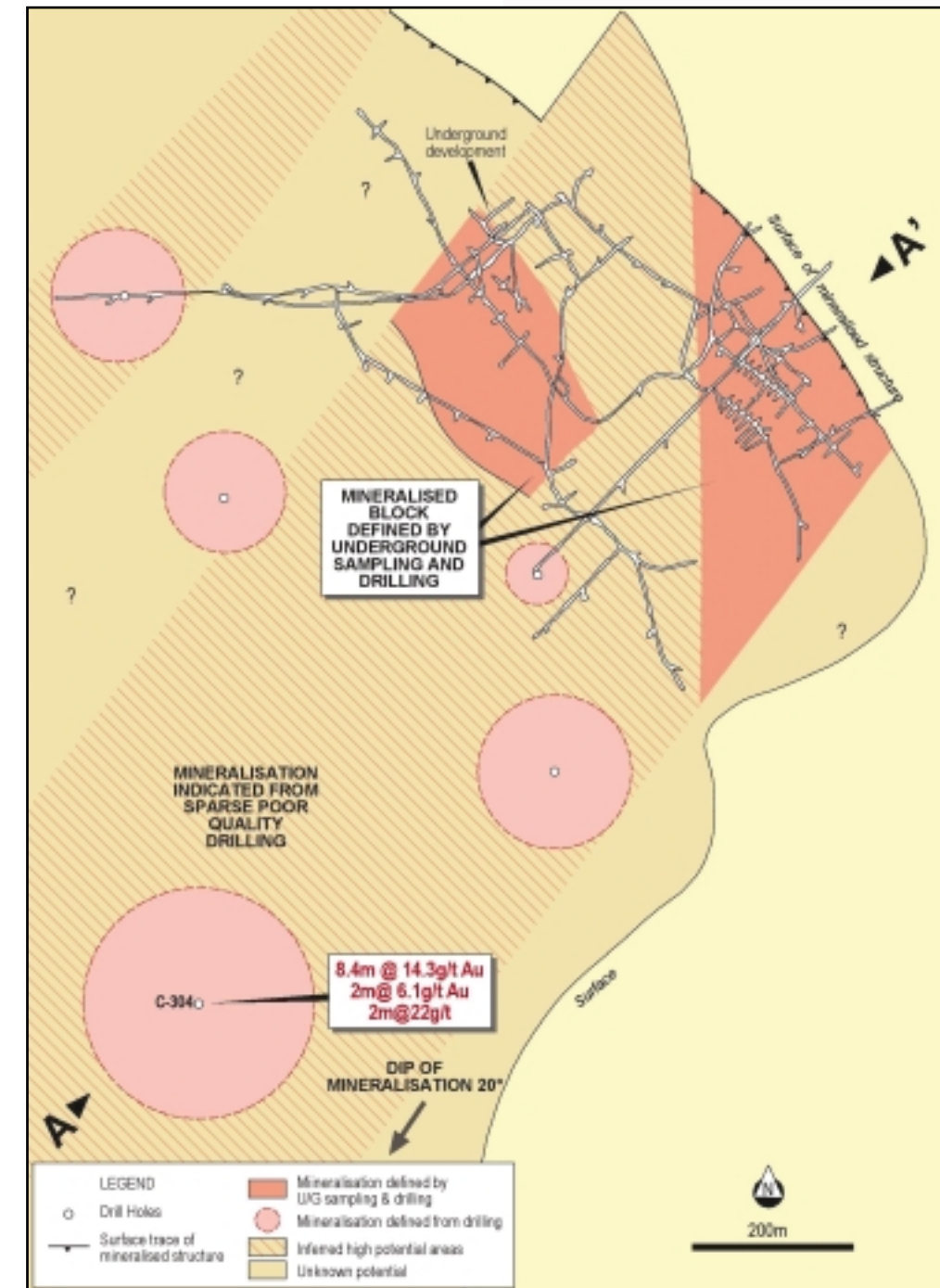
Vulcan's initial aim is to develop a 100,000 ounce per annum low cost gold mine at Saulyak with a mine life in excess of six years. Operations would be straightforward with easy adit access, due to steep terrain and treatment via standard gravity concentration techniques, resulting in low technical and regulatory risk. Existing underground development has demonstrated simple geometry and mineralisation continuity. Access and infrastructure are excellent with a paved highway, railway and power all immediately adjacent.



UKRAINE

Ukraine is an industrialised democratic state which became independent in 1991. It has a population of 50 million and is 600,000km² in area. The country has an established mining industry (coal, iron, nickel, mineral sands) and local industry produces many of the components required for mine operation and development. Ukraine borders on Slovakia, Poland and Hungary which are all preparing to join the European Union. The Ukraine government has set a goal to fulfil membership requirements for the European Union by 2011.

SAULYAK GOLD DEPOSIT



AUSTRALIAN PROJECTS



AUSTRALIAN PROJECTS

The Company's 1,614km² suite of projects are all based in the Eastern Goldfields, other than Black Hill at Sandstone.

A summary of the Company's current Australian mineral interests is set out below.

1. Mulgabbie

Mulgabbie straddles the Keith-Kilkenny Tectonic Zone and is the most advanced and southernmost of the Company's projects within this zone. It is 41km² in area and located 110km northeast of Kalgoorlie and immediately east of the large (42.9mt at 1.8g/t, 2.5 million ounce gold) Carosue Dam deposit currently being mined by Sons of Gwalia Ltd.



■ Mulgabbie Project gold-in-soils

During the year a total of 25 aircore drillholes for 1,604m were drilled on a 200m by 50m pattern to follow-up an anomalous bedrock intersection of 5m at 2.25g/t gold in wide-spaced reconnaissance drilling. Extensive soil anomalism is developed in the area which has a complex regolith, masking the underlying bedrock. Several anomalous intersections were returned, including 4m at 0.75g/t at the westernmost end of the southern traverse. This bedrock anomaly remains open at depth and to the west.

This drilling confirms the presence of bedrock gold but does not adequately explain the extensive gold in soil anomalism.

2. Keith-Kilkenny Tectonic Zone Regional Project

The Keith-Kilkenny fault zone is a 500km long north to northwest trending major tectonic lineament transecting the greenstone belts of the Eastern Goldfields. It hosts, or is associated with, many significant multi-million ounce gold deposits (Carosue Dam, Sons of Gwalia, Wiluna, Thunderbox, Tarmoola). Despite this, this major structure is largely underexplored between Leonora and Carosue Dam, 150km to the south.

Vulcan holds 860km² of tenement in this zone. The attraction of the structure between Leonora and Carosue Dam is that, due to extensive transported cover, traditional gold exploration methods have been ineffective or have been discouraged.

The Company has concluded a Joint Venture Agreement with Sons of Gwalia Ltd over 792km² of this area. The Joint Venture encompasses 100% Vulcan owned tenements as well as the bulk of the Avoca Resources-Vulcan Joint Venture.

AUSTRALIAN PROJECTS

Under the terms of the agreement, Sons of Gwalia may earn 75% of Vulcan's equity in the tenements through expenditure of \$1.5 million over five years. Once this interest has been earned, Vulcan can elect to contribute pro-rata or revert to a 10% free carried interest through to a decision to mine. Thereafter, Vulcan can either contribute at 10% or revert to a \$5 per ounce gold royalty.

Sons of Gwalia operate the Carosue Dam gold mine immediately south of the project area.

3. Varden

An agreement was signed with Avoca Resources providing Vulcan with 100% equity in the highly prospective Varden Exploration Licence, north of Laverton, in exchange for Vulcan's equity in the Avoca project tenements near Kalgoorlie.

An assessment of historical exploration results and geophysical data has outlined a number of interesting geochemical and structural targets that remain poorly tested, or that have not been subjected to modern exploration. A program of regolith mapping and soil sampling has commenced in order to better define drill targets.

4. Other Projects

- a. Yindi - A short RAB program, comprising 10 drillholes for 179m was completed to test a zone of surficial gold anomalism, previously defined by Croesus Mining NL. No significant assay results were reported from the program.
- b. Banjawarn - The Banjawarn Project is located 150km north of Leonora and 45km northeast of the Darlot Mine and consists of a single exploration licence. It is located 25km southeast of the 300,000 ounce Dingo Range gold deposits and covers a 50km² area of the southern section of the Dingo Range Greenstone Belt.

Wide-spaced soil geochemistry and rock-chip sampling by Croesus returned extensive gold anomalism which will be investigated and confirmed.

- c. Black Hill - The Black Hill Project is located near the township of Sandstone, 500km northeast of Perth. The Project covers 183km² of the prospective Sandstone Greenstone Belt and consists of two granted exploration licences.

Soil sampling over the northernmost of the project tenement (E57/425) returned disappointing results. However, a review of previous exploration results reconfirmed potential remains within the two southern tenements for new gold discoveries, similar to those exploited historically and in recent times by Troy Resources.

A 12 month Option Agreement has been reached with Troy Resources NL for the sale of this project in return for a royalty of \$5.00 per ounce for all gold produced from the project up to a maximum of \$250,000 in the aggregate.

The information on mineralisation contained in this report accurately reflects information compiled by Dr Alistair Cowden B.Sc (Hons.), Ph.D, M.Aus.I.M.M., M.A.I.G., and Mr Terry Peachey B.Sc (Hons.), M.A.I.G., who are Competent Persons (as defined by the Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves) with relevant experience in relation to such mineralisation and are officers of Vulcan Resources Limited.

DIRECTORS' REPORT

Your directors present their report on the Company for the year to 30 June 2003.

DIRECTORS

The names and details of the company's directors during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Alistair Cowden

(Executive Chairman)

B.Sc. (Hons), M.Aus.I.M.M., M.A.I.G.

Dr Cowden has over 20 years experience as a geologist and mining company executive in Australia, Africa, Europe and New Zealand. This experience ranges through a spectrum of activities from capital and debt raisings, corporate restructuring, ASX listings, mineral exploration, mining and feasibility studies and mineral deposit research.

Dr Cowden was instrumental in the listing of four successful ASX listed companies including Vulcan, Archaean Gold NL, Magnetic Minerals Limited and in the establishment of biotechnology company Australian Cancer Technology Limited.

He has been involved with major projects and discoveries such as Nimbus silver-zinc, Sunrise Dam mine, Kanowna Belle gold mine, Magnetic Minerals Dongara mineral sands deposit, Syerston nickel-cobalt laterite deposit, Hartley platinum mine and Kambalda nickel mines.

Dr Cowden has a B.Sc (Hons), Geology from the University of Edinburgh and a PhD in Geology from the University of London. He is also a director of Deep Yellow Limited and Australian Cancer Technology Limited.

Mr Brett Dickson

(Executive Finance Director and Company Secretary)

B.Bus, CPA

Mr Dickson has over 20 years experience in the financial management of companies, principally companies in early stage development of its resource or product, and offers broad financial management skills. He has been Chief Financial Officer for a number of successful resource companies listed on the ASX.

He has had close involvement with the financing and development of a number of Greenfield resources projects including the Mt Horner and Blina oilfields, Beharra Springs gas field, Nimbus silver-zinc deposit and the Dongara Mineral Sands deposit.

Mr Dickson is a Certified Practising Accountant with a Bachelors Degree in Economics and Finance from Curtin University and is a director of Deep Yellow Limited and Australian Cancer Technology Limited.

DIRECTORS' REPORT

Mr Michael Blakiston
(Non-Executive Director)
B.Juris. LLB

Mr Blakiston is a practicing solicitor with legal experience in the resources sector. Mr Blakiston holds the degrees of Bachelor of Jurisprudence and Bachelor of Laws from the University of Western Australia and is a partner of the corporate and resource law firm, Blakiston Et Crabb. Mr Blakiston has been practicing law for over 20 years.

Mr Blakiston is a director of Platinum Australia Ltd and is the Chairman of investment bank, Chatsworth Stirling Pty Ltd.

Mr Blakiston has extensive commercial experience both in advisory and directorial capacities having been involved in project assessment, structuring and financing, joint ventures and strategic alliances in the resource industry. In addition, Mr Blakiston has experience in initial public offerings, takeovers and mergers, corporate and project fundraisings (either with debt or equity), construction, offtake and sales contracts.

INTEREST IN THE SHARES AND OPTIONS OF THE COMPANY

As at the date of this report the interest of the directors in the shares and options of Vulcan Resources Limited were:

	ORDINARY SHARES		OPTIONS	
	Held directly	Held by related entity	Held directly	Held by related entity
A Cowden	—	2,985,700	—	3,208,550
M Blakiston	8,000	2,421,150	4,000	2,352,575
B Dickson	712,150	1,145,000	927,075	1,143,500

EARNINGS PER SHARE CENTS

Basic loss per share	(1.7)
Diluted loss per share	(1.7)

PRINCIPAL ACTIVITIES

The principal activities of the Company during the year were mineral exploration and preparation for listing on the Australian Stock Exchange.

RESULT FROM OPERATIONS

During the year the Company recorded an operating loss of \$379,019 (2002: three months a loss of \$8,730 was recorded).

DIVIDENDS

No amounts have been paid or declared by way of dividend of the Company since the end of the previous financial period and up until the date of this report. The directors do not recommend the payment of any dividend for the financial year ended 30 June 2003.

DIRECTORS' REPORT

REVIEW OF OPERATIONS

A review of operations of the Company is set out elsewhere in this report.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

On 10 September 2002 the Company was admitted to the official lists of the Australian Stock Exchange after raising \$2.986 million through the issue of 11,944,000 fully paid shares.

There were no other significant change in the stock of affairs of the Company that occurred during the financial year under review.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

Since the end of the financial year the Company has entered into an agreement to purchase 100% of Saulyak Resources Limited, a Mauritian registered company which holds 74.68% of Saulyak LLC, a Ukrainian registered company. The balance of Saulyak LLC is owned by State Joint Stock company Ukrainian Polymetals.

The consideration for the acquisition is:

- 25 million Vulcan fully paid ordinary shares
- 25 million Vulcan three year options exercisable at 20 cents
- US\$250,000 cash

Should the Saulyak deposit exceed 600,000 ounces proven and probable Reserves, a further 10 million shares will be issued and US\$250,000 cash paid.

In addition to this consideration Vulcan has also agreed to pay the following consideration to Chatsworth Stirling Pty Ltd for introducing and facilitating the purchase:

- 1,250,000 Vulcan fully paid ordinary shares
- 1,250,000 Vulcan three year options exercisable at 20 cents
- US \$12,500 cash

Chatsworth Stirling Pty Ltd is a company associated with Michael Blakison, a director of the company.

Vulcan will assume the vendors obligations to Ukrainian Polymetals, amounting to a capital contribution of US\$400,000 to March 2004 payable to Saulyak Resources. These funds are to be used for exploration and development at Saulyak. Thereafter, the partners contribute on an equity basis.

Should the acquisition proceed, a team of professionals associated with the vendor and experienced in operations in the former Soviet Union and Ukraine would join Vulcan's team.

In addition, agreement has been reached with Troy Resources NL whereby Troy have the option to purchase the Black Hill project in return for a royalty of \$5.00 per ounce for all gold produced from the project up to a maximum of \$250,000 in aggregate.

Since the end of the financial year no other matter or circumstance has arisen which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial periods.

DIRECTORS' REPORT

ENVIRONMENTAL ISSUES

The Company carries out operations in Western Australia which are subject to environmental regulations under both Commonwealth and State legislation in relation to its exploration activities. During the financial period there has been no significant breach of these regulations.

AUDIT COMMITTEE

At the date of this report, the Company does not have a separately constituted Audit Committee as all matters normally considered by an Audit Committee will be dealt with by the full Board.

MEETING OF DIRECTORS

During the year ended 30 June 2003 there were eight meeting of directors which were attended by all the directors.

DIRECTOR AND EXECUTIVE EMOLUMENTS

Remuneration policy

The full Board is responsible for determining and reviewing compensation arrangements for the directors. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. The Company does not link the nature and amount of the emoluments of such officers to the company's financial or operational performance.

Details of the nature and amount of each element of the emolument of each director of the company are as follows:

	BASE SALARY \$	SUPERANNUATION \$	OTHER \$
M Blakiston	—	—	—
A Cowden	49,500	4,500	33,000
B Dickson	—	—	62,833

Other than the directors, there were no executive officers of the Company.

1. Mr Blakiston did not receive any directors remuneration. Chatsworth Stirling Pty Ltd, a company in which Mr Blakiston is a shareholder and director, received fees totalling \$19,333 for corporate advice. In addition Blakiston & Crabb, an entity of which Mr Blakiston is a partner, received fees totalling \$12,536 for legal advice.
2. Dr Cowden is a shareholder and director of Drumfrochar Pty Ltd. During the year fees totalling \$33,000 were paid to Drumfrochar Pty Ltd for the provision of services.
3. Mr Dickson did not receive any direct remuneration. Coolform Investments Pty Ltd, a company in which Mr Dickson is a director and shareholder, received fees totalling \$62,833 for the provision of services.
4. During the year \$68,844 was paid to Australian Cancer Technology Limited for the provision of office accommodation and secretarial support. Dr Cowden and Mr Dickson are both directors of Australian Cancer Technology Limited.
5. Options were granted to directors during the year. Details are set out in Note 22. These options are not considered part of the remuneration of directors.

DIRECTORS' REPORT

EMPLOYEES

The Company had three employees at 30 June 2003 (2002: Nil).

CORPORATE STRUCTURE

Vulcan Resources Limited is a company limited by shares which is incorporated and domiciled in Australia. The financial report covers the single company Vulcan Resources Limited.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has made an agreement indemnifying all the directors and officers of the Company against all losses or liabilities incurred by each director and officer in their capacity as directors and officers of the Company. The Company did not make any payments for premiums for directors and officers insurance during the financial year.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report as the directors believe, on reasonable grounds, that the inclusion of such information would be likely to result in unreasonable prejudice to the Company.

SHARE OPTIONS

At the date of this report there were 12,160,001 listed options over ordinary shares. The options are exercisable at \$0.25 each at any time on or before 3rd December 2005. There are also 250,000 options issued on the same terms which are not listed. In addition, there are 4,000,000 unlisted options excisable at \$0.20 any time on or before 30th June 2007.

No options have lapsed or been exercised since the beginning of the financial year and to the date of this report.

CORPORATE GOVERNANCE

The Company's corporate governance statement is contained in the following section of this annual report.

Signed in accordance with a resolution of the Board of Directors.



A COWDEN
Chairman

Dated the 17th day of September 2003

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

The Board of directors of Vulcan Resources Limited is responsible for the Corporate Governance of the Company. The Board guides and monitors the business and affairs of Vulcan Resources Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Board of Directors

Shareholder approval is required on the composition of the Board which is determined in accordance with the following principles and guidelines:

- the Board should comprise between three and five directors;
- the Board should comprise directors with an appropriate range of qualifications and expertise; and
- the Board should meet at least six times per year and be provided with sufficient information to ensure all directors are made aware of and have available all necessary information to participate in an informed discussion of all agenda items.

Remuneration, Audit and Other Issues

All Board members participate in considering of audit and remuneration issues.

The Board as a whole ensures compliance with statutory responsibilities relating to accounting policy and disclosure by review of half-yearly and annual financial statements. The Board as a whole also reviews the remuneration of external auditors, their terms of engagement and the scope and quality of the audit. The auditors may communicate at any time with either the Chairman or any other member of the Board.

The Board presently delegates to management the review of corporate compliance, environmental, health and safety, and risk management procedures. Reporting on these issues to the Board occurs in the context of regular management briefings and reports.

The remuneration and terms and conditions of employment for senior executives are reviewed and approved by the Board after seeking professional advice.

Independent Professional Advice

Directors have the right, in connection with their duties and responsibilities as directors, to seek independent professional advice at the Company's expense. Prior approval of the Chairman is required, which will not be unreasonably withheld.

CORPORATE GOVERNANCE

Board Responsibilities

As the Board acts on behalf of the shareholders and is accountable to the shareholders, the Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The Board seeks to discharge these responsibilities in a number of ways.

The responsibility for the operation and administration of the Company is delegated by the Board to the executive team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the executive team.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved. In addition to that referred to above, these mechanisms, include the following:

- Board approval of a strategic plan, which encompasses the entity's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risk;
- the strategic plan is a dynamic document and the Board is actively involved in developing and approving initiatives and strategies designed to ensure the continued growth and success of the entity;
- implementation of operating plans and budgets by management and Board monitoring of progress against budget. This includes the establishment and monitoring of key performance indicators (both financial and non-financial) for all significant business processes;
- appointment of executives to report on environmental issues and concerns and occupational health and safety; and
- procedures to allow directors, in the furtherance of their duties, to seek independent professional advice at the Company's expense.

Monitoring of the Board's Performance and Communication to Shareholders

In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of all directors is reviewed annually by the Chairperson. Directors whose performance is unsatisfactory are asked to retire.

The Board of directors aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the directors. Information is communicated to the shareholders through:

- the annual report which is distributed to all shareholders;
- all ASX announcements being posted on the company's website; and
- the annual general meeting and other meetings so called to obtain approval for Board action as appropriate.

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2003

	Notes	2003 (\$)	28/3/02-30/6/02 (\$)
Revenues from ordinary activities	2	104,195	-
Depreciation	3	(1,729)	-
Other expenses from ordinary activities	3	(481,485)	(8,730)
Loss from ordinary activities before income tax expense		(379,019)	(8,730)
Income tax expense	4	-	-
Net loss attributable to members of Vulcan Resources Limited		(379,019)	(8,730)
Total changes in equity other than those resulting from transactions with owners as owners		(379,019)	(8,730)
Basic loss per share (cents per share)	7	(1.7)	(0.1)
Diluted loss per share (cents per share)	7	(1.7)	(0.1)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2003

	Notes	2003 (\$)	2002 (\$)
Current Assets			
Cash assets	9	2,241,347	121,862
Receivables	10	6,723	8,631
Other	11	1,156	115,277
Total Current Assets		2,249,226	245,770
Non-Current Assets			
Plant and equipment	12	6,318	-
Other – capitalised exploration expenditure	13	874,414	25,000
Total Non-Current Assets		880,732	25,000
TOTAL ASSETS		3,129,958	270,770
Current Liabilities			
Payables	14	40,941	58,100
Total Current Liabilities		40,941	58,100
TOTAL LIABILITIES		40,941	58,100
NET ASSETS		3,089,017	212,670
EQUITY			
Contributed equity	15	3,476,766	221,400
Accumulated losses	16	(387,749)	(8,730)
TOTAL EQUITY		3,089,017	212,670

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 30 JUNE 2003

	Notes	2003 (\$)	28/3/02-30/6/02 (\$)
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers		(340,973)	(115)
Interest received		99,195	-
Mineral exploration		(245,429)	-
Net cash used in operating activities	8	(487,207)	(115)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equipment		(8,047)	-
Sale of mineral tenements		5,000	-
Purchase of mineral tenements		(220,050)	(25,000)
Net cash used in investing activities		(223,097)	(25,000)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		2,986,000	221,400
Prospectus expenses		(156,211)	(74,423)
Net cash provided by financing activities		2,829,789	146,977
Net increase in cash held		2,119,485	121,862
Cash at beginning of period		121,862	-
Cash at end of period	9	2,241,347	121,862

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2003

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been adopted by Vulcan are detailed as follows:

(a) Basis of Accounting

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

Vulcan Resources Limited is a company incorporated on the 28 March 2002 and domiciled in Australia. This report covers the period from 1 July 2002 to 30 June 2003.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(b) Cash and Cash Equivalents

Cash on hand and in banks and short-term deposits are stated at nominal values.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and money markets investments readily convertible to cash within two working days net of outstanding bank overdrafts.

(c) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest

Control of the right to receive the interest payment.

(d) Deferred Exploration and Evaluation Expenditure

Costs arising from exploration and evaluation activities are carried forward provided such costs are expected to be recouped through successful development, or by sale, or where exploration and evaluation activities have not, at balance date, reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves.

Costs carried forward in respect of areas of interest that are abandoned are written off in the year in which the decision to abandon is made.

(e) Plant and equipment

Cost and valuation

All classes of plant and equipment are measured at cost.

Depreciation

Depreciation is provided on a straight-line basis on all plant and equipment. Major depreciation periods are:

	2003
Exploration equipment	10 years

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2003

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(f) Payables

Liabilities are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received whether or not billed.

(g) Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

(h) Leases

Leases are classified at the inception as either operating or finance leases, based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

Contingent rentals are recognised as an expense in the financial year in which they are incurred.

(i) Employee Benefits

Provision is made for the employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, sick leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave sick leave and other employee benefits expected to be settled within 12 months of the reporting date are measured at the nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses and revenues arising in respect of the following categories:

- Wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave benefits; and
- Other types of employee benefits are recognised against profits on a net basis in their respective categories.

(j) Contributed Equity

Ordinary share capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2003

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(k) Income Tax

Tax effect accounting has been adopted. The income tax expense in the statement of financial performance has been determined after adjusting for income and expenditure that are not assessable or allowable for taxation purposes. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related tax benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless:

- in the opinion of the directors, realisation of the benefits is virtually certain;
- expected future assessable income is derivable of a nature and of an amount sufficient to enable the benefit to be realized;
- the conditions of deductibility imposed by tax legislation can continue to be complied with; and
- no changes in tax legislation adversely affect Vulcan or its controlled entities in realising the benefit.

(l) Recoverable Amount

Non-current assets are not carried at an amount above their recoverable amount, and where carrying values exceed this recoverable amount assets are written down. In determining recoverable amount, the expected net cash flows have not been discounted to their present value.

(m) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Commitments and contingencies are disclosed net to the amount of GST recoverable from, or payable to, the taxation authority.

(n) Joint Ventures

Interest in joint ventures are recognised by including in the respective classifications, the share of individual assets employed and share of liabilities and expenses incurred.

(o) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

As a result of incorporation on 28 March 2002, comparatives for the prior period present information for a financial period that is not equal to 12 months.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2003

(p) Earnings Per Share

(i) *Basic Earnings Per Share* - Basic earnings per share is determined by dividing the profit from ordinary activities after related income tax expense by the weighted average number of ordinary shares outstanding during the financial year.

(ii) *Diluted Earnings Per Share* - Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares.

Divided by the weighted average number of ordinary shares and dilutive potential ordinary shares adjusted for any bonus element.

(q) Capitalisation of Prospectus Expenses

Where a share issue has not been completed at balance date, the costs associated with the issue are recognised on the Statement of Financial Position as a prepayment. The costs are recognised as a reduction in equity once the issue is complete.

	2003 (\$)	2002 (\$)
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NOTE 2 REVENUE FROM ORDINARY ACTIVITIES

Interest received	99,195	-
Proceeds from sale of mineral tenements	5,000	-
	104,195	-

NOTE 3 EXPENSES AND LOSSES/(GAINS)

(a) Expenses		
Expenses from ordinary activities		
Depreciation	1,729	-
Other expenses from ordinary activities		
Corporate expenses	78,455	8,730
Occupancy and related expenses	90,957	-
Sub-lease expenses	14,688	-
Staff expense	172,902	-
Provision for exploration	59,223	-
Exploration expenditure expensed during the period	55,784	-
Cost of tenement sold	9,836	-
Total other expenses from ordinary activities	481,485	8,730
(b) Losses / (gains)		
Net Loss on disposal of tenement	4,836	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2003

	2003 (\$)	2002 (\$)
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NOTE 4 INCOME TAX EXPENSE

Prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:

Ordinary loss before income tax	379,019	8,730
Prima facie tax benefit on profit (loss) from ordinary activities before income tax at 30%	113,706	2,619
Non - deductible expenditure	(34,502)	-
Tax losses not brought to account as future income tax benefit	(79,204)	(2,619)
Income tax expense attributable to loss from ordinary activities before income tax expense	-	-

Unbooked future income tax benefits

The Company has accumulated tax losses of \$467,058 (2002: \$8,730).

The potential future income tax benefit of these losses (\$140,117) will only be realised if:

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

NOTE 5 REMUNERATION AND RETIREMENT BENEFITS

(a) Directors' Remuneration

The names of Company directors who have held office during the financial period are:

Alistair Cowden
Michael Blakiston
Brett Dickson

Income paid or payable, or otherwise made available, in respect of the financial year, to all directors of Vulcan Resources Limited, directly or indirectly, from the entity or any related party:

	149,833	1,480
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2003

	2003 (\$)	2002 (\$)
NOTE 5 REMUNERATION AND RETIREMENT BENEFITS (CONT)		
The number of directors of Vulcan Resources Limited whose income (including superannuation contributions) falls within the following bands is:		
\$0 - \$9,999	1	3
\$60,000 - \$69,999	1	-
\$80,000 - \$89,999	1	-
NOTE 6 AUDITOR'S REMUNERATION		
Amounts received or due and receivable by Ernst & Young Australia for:		
Auditing and reviewing the financial report of the Company	8,100	5,000
Tax compliance	2,730	-
Special audits required by regulators	-	5,000
	10,830	10,000
NOTE 7 LOSS PER SHARE		
The following reflects the income and share data used in the calculation of basic and diluted loss per share		
Net Loss	(379,019)	(8,730)
Adjustments:		
- Nil	-	-
- Earnings used in calculating basic and diluted earnings per share	(379,019)	(8,730)
	(379,019)	(8,730)
Weighted average number of ordinary shares used in calculating basic earnings per share	22,449,003	7,768,831
Effective of dilutive securities:		
- Share options (i)	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	22,449,003	7,768,831

(i) The Company has 16,410,001 options over ordinary shares on issue, which are potential ordinary shares. They have not been included in the calculation of diluted earnings per share as their exercise would have the impact of decreasing loss per share and therefore they are not dilutive.

Conversion, calls, subscriptions or issues after 30 June 2003

Since the end of the financial year no ordinary shares have been issued pursuant to the exercise of options. There have been no other conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this financial report.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2003

	2003 (\$)	2002 (\$)
NOTE 8 CASH FLOW INFORMATION		
(a) Reconciliation of Cash Flow from Operations with Loss from ordinary activities after Income Tax:		
Loss from ordinary activities after Income Tax	379,019	8,730
Adjustments for non-cash income and expense items		
- Depreciation	(1,729)	-
- Loss on disposal of tenements	(4,836)	-
- Provision for tenement	(59,223)	-
Changes in Assets and Liabilities		
- Increase in prepayments	1,156	-
- Increase in receivables	6,723	(3,615)
- Increase in capitalised exploration	189,699	-
- Increase in payables	(23,603)	(5,000)
Cash Out Flow from Operations	487,207	115
(b) During the period the Company issued 2,000,000 fully paid shares at a deemed price of 25 cents to Croesus Mining NL as part satisfaction for the purchase of mineral exploration tenements.		
During the period there were no other non-cash financing and investing activities that had a material effect on the Company.		
(c) The Company does not have any credit standby arrangements, used or unused loan facilities.		
NOTE 9 CASH		
Cash assets	2,241,347	121,862
NOTE 10 CURRENT RECEIVABLES		
Trade Debtors	6,723	8,631
Terms and Conditions		
Trade debtors are non-interest bearing and generally on 30 day terms.		
NOTE 11 OTHER CURRENT ASSETS		
Prepayments	1,156	115,277

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2003

	Notes	2003 (\$)	2002 (\$)
NOTE 12 PLANT AND EQUIPMENT			
Equipment at cost		8,047	-
Accumulated depreciation		(1,729)	-
	12(a)	<u>6,318</u>	<u>-</u>
(a) Movements in plant and equipment			
Carrying amount at beginning		-	-
- Additions		8,047	-
- Depreciation		(1,729)	-
- Closing Balance		<u>6,318</u>	<u>-</u>

NOTE 13 OTHER NON-CURRENT ASSETS

Capitalised exploration

The Company has mineral exploration costs carried forward in respect of areas of interests in the following minerals and phases:

(a) Gold			
(i) Areas in exploration and evaluation at cost			
Balance at beginning of the year		25,000	-
- Acquired during the year		720,050	25,000
- Expenditure for the year		198,423	-
- Amounts provided for during the year		(59,223)	-
- Carrying value of tenements sold during the year		(9,836)	-
Balance at the end of the year		<u>874,414</u>	<u>25,000</u>

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development for commercial exploitation or sale of the respective mining areas.

NOTE 14 CURRENT PAYABLES

Trade creditors		40,941	58,100
Aggregate amounts payable to related parties:			
Directors and director - related entities			
- Directors	22	796	-
- Director related entities	22	10,792	-
		<u>11,588</u>	<u>-</u>

Terms and Conditions

Trade creditors are non-interest bearing and generally on 30 day terms.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2003

	2003 (\$)	2002 (\$)
NOTE 15 CONTRIBUTED EQUITY		
Ordinary shares at beginning of period 11,190,000 (2002 Nil)	221,400	-
Issue of 7 shares upon incorporation	-	-
Share conversion of existing 7 shares into 7,000,000 shares	-	-
Issue of 1,000,000 shares at 3 cents per share	-	30,000
Issue of 3,190,000 shares at 6 cents per share	-	191,400
Issue of 2,000,000 shares at 25 cents per share to purchase mineral tenements	500,000	-
Issue of 11,944,000 shares at 25 cents pursuant to Prospectus	2,986,000	-
Less cost of share issue	(230,634)	-
At reporting date: 25,134,000 (2002: 11,190,000) ordinary shares	<u>3,476,766</u>	<u>221,400</u>

(a) Share Options

During the year 12,410,001 options over ordinary shares exercisable at 25 cents per share on or before 31 December 2005 were issued, of which 12,160,001 are listed on the Australian Stock Exchange. In addition there are 4,000,000 unlisted options, issued in the prior year, exercisable at 20 cents on or before 30 June 2007. No options have been exercised at the date of this financial report.

At the end of the year there were 16,410,001 (2002: 4,000,000) unissued ordinary shares in respect of which options were outstanding.

(b) Terms and Conditions of Contributed equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

NOTE 16 ACCUMULATED LOSSES

Balance at beginning of period	(8,730)	-
Net loss attributable to members of Vulcan Resources Limited	(379,019)	(8,730)
Balance at end of year	<u>(387,749)</u>	<u>(8,730)</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2003

NOTE 17 EXPENDITURE COMMITMENTS

(a) Capital Expenditure Commitments

The Company has entered into certain obligations to perform minimum work on leases held. These obligations vary from time to time in accordance with contracts signed. The Company is required to meet tenement lease rentals and Department of Industry and Resources minimum expenditure requirements which may be varied or deferred on application and are expenditures expected to be met in the normal course of business.

(b) Lease Expenditure Commitments

The Company has entered into a sub-lease agreement with Tower Trust to lease its office space for two years commencing 11 April 2003. The lease has no renewal, escalation or purchase arrangements nor are there any contingent rental payments.

	2003 (\$)	2002 (\$)
Payable within 1 year	60,624	-
Later than 1 year and not later than 5 years	45,378	-
Later than 5 years	-	-
	106,002	-

NOTE 18 JOINT VENTURE

All joint ventures entered into by the Company are for the exploration and development of gold and other valuable minerals.

Edjudina Avoca Joint Venture

Through the expenditure of \$1,000,000 by 26 March 2006 Vulcan may earn an 80% interest in the tenements the subject of the Joint Venture. At 30 June 2003 approximately \$440,000 had been expended towards this commitment.

The tenements that are the subject of this Joint Venture are included in the Company's Yerilla Joint Venture with Sons of Gwalia.

Rogers Joint Venture

Vulcan may earn a 70% interest in this Joint Venture by keeping the tenements in good standing.

The tenements that are the subject of this Joint Venture are included in the Company's Yerilla Joint Venture with Sons of Gwalia.

Zeedam Joint Venture

A 70% interest in this Joint Venture may be earned through the expenditure of \$100,000 by 31 May 2005.

The tenements that are the subject of this Joint Venture are included in the Company's Yerilla Joint Venture with Sons of Gwalia.

Yerilla Joint Venture

Sons of Gwalia may earn 75% of Vulcan's interest in the tenements the subject of the Joint Venture by expending \$1,500,000 by 28 March 2008.

Set out below is the amount of each category of assets employed

Capitalised exploration		
Edjudina Avoca Joint Venture	23,514	-
Rogers Joint Venture	-	-
Zeedam Joint Venture	6,367	-
Yerilla Joint Venture	413,945	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2003

NOTE 19 SEGMENTS

The Company operates only in one business, being the exploration for gold. Geographically, as at 30 June 2003, all the Company's activities were conducted in Western Australia.

NOTE 20 CONTINGENT LIABILITIES

Native Title

The Company has been notified of a number of competing native title claims under the Commonwealth Native Title Act 1993, covering areas in the Eastern Goldfields of Western Australia.

Until further information is available and State legislation is finalised, the Company will not be in a position to assess the likely effect, if any, of any claim on the Company. However, the directors expect that existing exploration activities will not be materially affected by any claim or the claims in aggregate.

NOTE 21 EVENTS SUBSEQUENT TO REPORTING DATE

Since the end of the financial year the Company has entered into an agreement to purchase 100% of Saulyak Resources Limited, a Mauritius registered company which holds 74.68% of Saulyak LLC, a Ukrainian registered company. The balance of Saulyak LLC is owned by State Joint Stock Company Ukrainian Polymetals.

The consideration for the acquisition is:

- 25 million Vulcan fully paid ordinary shares
- 25 million Vulcan three year options exercisable at 20 cents
- US\$250,000 cash

Should the Saulyak deposit exceed 600,000 ounces proven and probable Reserves, a further 10 million shares will be issued and US\$250,000 cash paid.

In addition to this consideration Vulcan has also agreed to pay the following consideration to Chatsworth Stirling Pty Ltd for introducing and facilitating the purchase:

- 1,250,000 Vulcan fully paid ordinary shares
- 1,250,000 Vulcan three year options exercisable at 20 cents
- US\$12,500 cash

Chatsworth Stirling Pty Ltd is a company associated with Michael Blakison, a director of the Company.

Vulcan will assume the vendors obligations to Ukrainian Polymetals, amounting to a capital contribution of US\$400,000 to March 2004 payable to Saulyak Resources. These funds are to be used for exploration and development at Saulyak. Thereafter the partners contribute on an equity basis.

Should the acquisition proceed, a team of professionals associated with the vendor and experienced in operations in the former Soviet Union and Ukraine would join Vulcan's team.

In addition, an option agreement has been reached with Troy Resources NL for the sale of the Black Hill project in return for a royalty of \$5.00 per ounce for all gold produced from the project up to a maximum of \$250,000 in aggregate.

Since the end of the financial year no other matter or circumstance has arisen which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial periods.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2003

NOTE 22 RELATED PARTY TRANSACTIONS

Interest at balance date

Interests in the equity instruments of the Company held by directors and their director-related entities:

	Ordinary Shares Fully Paid		Options Over Ordinary Shares	
	2003	2002	2003	2002
A Cowden	2,985,700	3,215,700	3,208,550	1,716,000
M Blakiston	2,429,150	1,914,150	2,356,575	1,142,000
B Dickson	1,857,150	2,142,150	2,070,575	1,142,000

Movements in directors' equity holdings

During the year:

- Dr Cowden, Mr Blakiston and Mr Dickson or their related entities transferred, for nil consideration, 430,000, 285,000 and 285,000 shares respectively to an unrelated third party.
- Dr Cowden and Mr Blakiston or their related entities acquired 200,000 and 800,000 shares respectively through applications attached to a prospectus dated 5 June 2002.
- Dr Cowden, Mr Blakiston and Mr Dickson acquired 1,492,550, 1,214,575 and 928,575 options over ordinary shares respectively, with an exercise price of \$0.25, through the issue by the Company of one free option for every two shares held.

Other director transactions:

- Mr Blakiston did not receive any directors remuneration. Chatsworth Stirling Pty Ltd, a company in which Mr Blakiston is a shareholder and director, received fees totalling \$19,333 for corporate advice. In addition Blakiston & Crabb, an entity of which Mr Blakiston is a partner, received fees totalling \$12,563 for legal advice.
- Dr Cowden is a shareholder and director of Drumfrochar Pty Ltd. During the year fees totalling \$33,000 were paid to Drumfrochar Pty Ltd for the provision of services.
- Mr Dickson did not receive any direct remuneration. Coolform Investments Pty Ltd, a company in which Mr Dickson is a director and shareholder, received fees totalling \$62,833 for the provision of services.
- During the year \$68,844 was paid to Australian Cancer Technology Limited for the provision of office accommodation and secretarial support. Dr Cowden and Mr Dickson are both directors of Australian Cancer Technology Limited.

All transactions with director-related entities occurred under normal commercial terms and conditions.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2003

NOTE 23 FINANCIAL INSTRUMENTS DISCLOSURE

(a) Interest Rate Risk

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and liability, is as follows:

	Floating Interest Rate	Non Interest Bearing	Weighted Average Interest Rate
2003			
Financial Assets			
Cash	2,237,801	3,546	4.4%
Trade Debtors	-	6,723	N/A
Total Financial Assets	2,237,801	10,269	
Financial Liabilities			
Payables	-	40,941	N/A
Total Financial Liabilities	-	40,941	
2002			
Financial Assets			
Cash	-	121,862	N/A
Trade Debtors	-	8,631	N/A
Total Financial Assets	-	130,493	
Financial Liabilities			
Payables	-	58,100	N/A
Total Financial Liabilities	-	58,100	

(b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date of recognised financial assets is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements. The Company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Company.

(c) Net Fair Values

For assets and liabilities the net fair value approximates their carrying value.

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments.

DIRECTOR'S DECLARATION

The directors of the Company declare that:

1. The financial statements and notes as set out on pages 9 to 33:
 - (a) comply with Accounting Standards and the Corporations Act 2001; and
 - (b) give a true and fair view of the financial position at 30 June 2003 and performance for the year ended on that date of the company.
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 Board of directors:



Director
ALISTAIR COWDEN

Dated this 17th day of September 2003.

INDEPENDENT AUDIT REPORT

TO MEMBERS OF VULCAN RESOURCES LIMITED



■ Central Park
152 St Georges Terrace
Perth WA 6000
Australia

■ Tel 61 8 9429 2222
Fax 61 8 9429 2436

GPO Box M939
Perth WA 6843

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 Vulcan Resources Limited (the company), for the year ended 30 June 2003.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, 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 of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing 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, including compliance with Accounting Standards in Australia, and other mandatory financial 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.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.


Audit opinion

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

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of Vulcan Resources Limited at 30 June 2003 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.



ERNST & YOUNG



V W TIDY
Partner
Perth, 17 September 2003

SCHEDULE OF MINING TENEMENTS

Project	Tenement	Interest
EDJUDINA AVOCA JV	ELA31/354	Earning 80%*
	E31/374	Earning 80%*
	E31/377	Earning 80%*
	E31/430	Earning 80%*
	E31/465	Earning 80%*
	ELA31/479	Earning 80%*
	ELA31/524	Earning 80%*
	ELA31/618	Earning 80%*
	E39/795	Earning 80%*
EDJUDINA	E31/444	100%*
	ELA31/473	100%*
	ELA31/474	100%*
	E31/475	100%*
	E31/482	100%*
	ELA31/511	100%*
	ELA31/516	100%*
	ELA31/523	100%*
	ELA31/560	100%*
	ELA39/844	100%*
	ELA31/503	100%*
	ELA31/504	100%*
	ELA39/884	100%*
	ELA31/536	Earning 70%*
	ELA31/537	Earning 70%*
	YERILLA	E31/456
E39/801		100%*
E39/843		Earning 70%*
ELA39/850		100%*
E39/921		100%*
E39/922		100%*
P39/4093		100%*
P39/4094		100%

SCHEDULE OF MINING TENEMENTS

Project	Tenement	Interest
BANJAWARN	E37/544	100%
BLACK HILL	E57/422	100%
	E57/424	100%
MULGABBIE	E28/989	100%
PINJIN	ELA28/1083	100%
	ELA28/1142	100%
	ELA31/562	100%
VARDEN	E38/1152	100%
	E38/1153	100%
YINDI	E28/1028	100%
	ELA28/1169	100%
	ELA28/932	100%

Key to Tenement Schedule

- P - Prospecting Licence
- E - Exploration Licence
- ELA - Exploration Licence Application
- ARB - Aboriginal Representative Body
- * - These tenements subject to the Son of Gwalia Yerilla Joint Venture

OTHER INFORMATION

The following information was applicable as at 31 August 2003.

1. Shareholding

(a) Distribution of Shareholders Number

Category (size of Holding)	Fully Paid Shares	Options
1 - 1,000	2	1
1,001 - 5,000	5	144
5,001 - 10,000	126	70
10,001 - 100,000	177	77
100,001 and over	28	22
	338	314

(b) The number of fully paid shareholdings held in less than marketable parcel is three.

(c) There were no substantial shareholders listed in the Company's register as at 31 August 2003.

(d) Top 20 shareholders

Name	Number of Shares	% of Issued Share Capital
1. Drumfrochar Pty Ltd	2,969,700	11.824
2. Chatsworth Stirling Pty Ltd	2,757,150	10.97
3. Croesus Mining NL	2,744,000	10.92
4. Mr William Brooks <Brooks Superannuation A/C>	1,620,000	6.45
5. Baracus Pty Ltd	1,220,000	4.85
6. Georgina Fitzroy Dickson	1,136,800	4.52
7. Mr Brett Douglas Dickson	695,350	2.77
8. Code Nominees Pty Ltd <No. 8 A/C>	400,000	1.59
9. Lippo Securities Nominees (BVI) Ltd	400,000	1.59
10. RBC Global Services Australia Nominees Pty Limited <RA A/C>	400,000	1.59
11. Boldbow Pty Ltd	391,999	1.56
12. WSF Pty Ltd	385,000	1.53
13. Mr Roy Andrew Isaac	341,225	1.36
14. Mr Ronald Brown Manners	300,000	1.19
15. Mannwest Pty Ltd	300,000	1.19
16. State One Stockbroking Ltd	250,000	0.99
17. Mr Jonathon Kingsley Stewart	250,000	0.99
18. Australian Cancer Technology Limited	200,000	0.80
19. Beach Corporation Pty Ltd	200,000	0.80
20. Dukest Property and Investment	200,000	0.80
	17,161,224	68.28

There is a total of 25,134,000 fully paid ordinary shares on issue, all of which are listed on Australian Stock Exchange Limited. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

OTHER INFORMATION

(e) Top 20 holders of options exercisable by 31 December 2005 at \$0.25 per option

	Number of Options	% of Issued Options
1. Dumfrochar Pty Ltd	1,460,850	12.06
2. Chatsworth Stirling Pty Ltd	1,378,575	11.38
3. Croesus Mining NL	1,372,000	11.33
4. Mr William	810,000	6.69
5. Georgina Fitzroy Dickson	572,500	4.73
6. Taurus Entrepot Nominees	369,000	3.05
7. Mr Brett Douglas Dickson	356,075	2.94
8. Baracus Pty Ltd	331,000	2.73
9. Mr Patrick Anthony Connolly	210,333	1.74
10. Code Nominees Pty Ltd	200,000	1.65
11. Gecko Resources Pty Ltd	200,000	1.65
12. Lippo Securities Nominees	200,000	1.65
13. RBC Global Services Australia	200,000	1.65
14. Boldbow Pty Ltd	174,000	1.44
15. Mr Ronald Brown Manners	150,000	1.24
16. Mannest Pty Ltd	150,000	1.24
17. State One Stockbroking Ltd	125,000	1.03
18. Mr Jonathan Kingsley Stewart	125,000	1.03
19. Mr Joseph Roebottom Burton	119,000	0.98
20. Mr Andrew Sheldon Crooks	114,934	0.95
	8,503,333	70.21

(f) Restricted Securities

The following securities have been classified as Restricted Securities:

Number	Class	Escrow Period
8,334,480	Fully Paid Ordinary Shares	Until 10 September 2004
4,000,000	Options Exercisable at \$0.20	Until 10 September 2004
4,167,240	Options expire 31 December 2005	Until 10 September 2004

2. Use of Funds

Since admission to the official lists of ASX the Company has used its cash and assets in a form readily convertible to cash in a way that was consistent with its business objectives.