

## Quarterly Report

For the Quarter Ended 30 June 2005

### SUMMARY

The June quarter has been one of significant achievement for Vulcan.

- Results from the first drill hole at the Kylylahti copper project exceeded expectations with an intersection of **69 metres at 7.6% copper equivalent**.
- Nickel exploration at the Kuhmo project returned massive nickel sulphides at shallow depths from the two targets tested.
- An agreement with Troy Resources NL was concluded over royalties held by Vulcan at Troy's Sandstone project resulting in a cash payment to Vulcan of \$232,000.

The next few months will see the completion of a new Resource estimate for Kylylahti, further drilling results from Kylylahti and the two nickel projects and the results of the Kylylahti pre-feasibility study.

### KYLYLAHTI COPPER PROJECT (Vulcan 100%)

The 100%-owned Kylylahti Copper Project was acquired in December 2004 and has been undergoing a pre-feasibility study since January 2005.

During June Vulcan announced it received spectacular results from its first drill hole at the Kylylahti copper project in eastern Finland of 19 metres at 14% copper equivalent within a broader zone of 93 metres at 6.7% copper equivalent.

The objective of the drill program at Kylylahti was to confirm and extend thick, high-grade mineralisation and to collect material for metallurgical testwork; that objective is well on track to being met.

Drill hole OKU909 returned an intersection of 69 metres at 7.6% copper equivalent at a 0.5% copper cut-off. Average grades are 2.1% copper, 0.28% cobalt, 0.14% nickel, 0.6% zinc and 1.1g/t gold from a downhole depth of 620 metres. True thickness is estimated at 35-40 metres. An additional 24 metres of disseminated sulphides grading 0.63% copper overlies this intercept giving 93 metres at 1.7% copper within a 0.4% copper envelope (see table).

At the metal prices used to estimate copper equivalent grades (US\$1.10/lb copper, US\$15/lb cobalt, US\$5.50 nickel, US\$0.50/lb zinc and US\$400/oz gold) the 69 metre intersection has an in situ value of US\$183/tonne.

*Tabulation of intercepts from OKU 909 at various cut off grades*

<b>From</b>	<b>(m)</b>	<b>Cut Off Cu (%)</b>	<b>Au (g/t)</b>	<b>Co (%)</b>	<b>Cu (%)</b>	<b>Ni (%)</b>	<b>Zn (%)</b>	<b>Cu eq (%)</b>
670	19	1.5	2.40	0.50	4.79	0.09	1.53	13.8
620	69	0.5	1.13	0.28	2.07	0.14	0.63	7.6
596	93	0.4	0.97	0.25	1.70	0.18	0.55	6.7

The pre-feasibility study (PFS) is on track with the compilation and translation of the extensive metallurgical mining and geological studies largely completed. Additional input by consultants advising on specific areas within their expertise is also largely completed. Those advisors include SRK Consulting (resource and geotechnical), Lycopodium (operating and capital costs), Golder Associates (tailings), IP Engineering (environmental).

Results of the pre-feasibility study to date including recent drilling indicate that a 500,000 tpa plant rather than a 300,000 tpa plant is the more optimal route. Accordingly studies have been amended to include a 500,000 tpa plant as the preferred option. This change in scale will cause a small delay in the completion of the study to September.

### **KUHMO NICKEL PROJECT (Vulcan 100%, Cambrian Mining earning 40%)**

Considerable success has been achieved from Vulcan's exploration program at Peura-aho and Hietaharju.

#### **Peura-aho**

Multiple zones of massive nickel-copper sulphides have been drilled at shallow depths at this project.

Best results include:

1.2 metres from 98 metres at 2.1% nickel, 0.9% copper and 2.9 g/t Pt+Pd

5.0 metres from 86 metres at 1.3% nickel, 0.7% copper and 2.5 g/t Pt+Pd

1.2 metres from 92 metres at 2.2% nickel, 0.9% copper and 3.4 g/t Pt+Pd

Highest values obtained in massive pyrrhotite-chalcopyrite mineralisation were 2.53% nickel, 1.83% copper, 15.1 g/t palladium and 2.0 g/t platinum. Significant mineralisation was encountered in five of nine holes for which assays have been received. Results from the last two holes are pending.

The drilling results highlight the sulphide-rich, fertile and prospective nature of the multiple Peura-aho komatiite units which contain a number of untested geophysical anomalies.

Mineralisation is hosted by a thick komatiite ultramafic unit and occurs at the base of the unit as massive and vein mineralisation at the contact of, and within footwall quartzo-felspathic schists. Mineralisation style is similar to the WMC Resources' (now BHPB) Collurabbie discovery in Western Australia in that it exhibits high copper, palladium and platinum values and modest nickel tenor.

A down hole Misse a la Masse geophysical survey has been completed over Peura-aho which has shown a 350-400 metre long shallow conductive anomaly coincident with an airborne EM anomaly. This anomaly is only partly tested and may be explained by both massive nickel sulphide mineralisation and barren sulphides in footwall rocks.

Vulcan recently completed an airborne EM survey covering the Peura-aho region which has revealed two large EM anomalies 600 metres to the west of Peura-aho and a further four anomalies in ultramafic rocks within 3 kilometres of Peura-aho. In addition reconnaissance regolith drilling (base of till) has been completed over these targets. Assay results are awaited.

### **Heitaharju**

The Company also hit wide nickel-platinum-palladium sulphide at the Hietaharju project which is located just six kilometres south of Peura-aho. The hits are at shallow depths and include multiple zones of massive sulphide.

Results from the first four of ten holes drilled have been received with the best being HIE 7 showing 17.8 metres from 63 metres at 1.33% nickel, 0.6% copper and 1.9 g/t Pt + Pd including:

1.5 metres at 2.8% nickel, 1.2% copper, and 1.6 g/t Pt + Pd

2.0 metres at 2.0% nickel, 0.7% copper, and 1.8 g/t Pt + Pd

2.1 metres at 1.6% nickel, 1.3% copper, and 3.0 g/t Pt + Pd

Of equal encouragement was the result of hole HIE 9. This hole was drilled some 300 metres north of the main target at Hietaharju to test a parallel komatiite belt and intersected 7 metres from 107 metres at 0.7% nickel, 0.2% copper and 1.3 g/t Pt + Pd.

The nickel sulphide mineralisation outcrops and is hosted in a komatiite unit up to 100 metres thick and over 0.8 kilometres long. Mineralisation occurs over 500 metres along strike both as basal contact mineralisation and as internal disseminated and vein and breccia sulphides.

A further six holes have been drilled at Hietaharju with a number showing significant visual indications of sulphide mineralisation. Results of those holes are awaited.

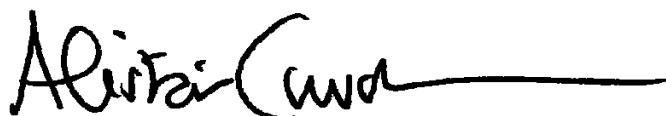
Given the excellent results achieved to date, Vulcan will recommence drilling as soon as the Finnish summer break is over.

## FINANCIAL

As at 30 June 2005, the Company had 45.8 million shares on issue and cash on hand of \$1.6 million.

Dated this 29<sup>th</sup> day of July 2005.

Signed on behalf of the Board of Vulcan Resources Limited.



**ALISTAIR COWDEN**  
Chairman

## Competent Person Statement

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Dr Alistair Cowden B.Sc (Hons), Ph.D, M.Aus.I.M.M., M.A.I.G. and Mr Nicholas Walker, B.Sc (Hons), M.A.I.G., who are full time employees of the Company and have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Alistair Cowden and Mr Nicholas Walker consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

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*Location of Projects*

## Appendix

### BACKGROUND INFORMATION

#### **About the Kuhmo Nickel Project**

Vulcan holds 170km<sup>2</sup> of tenements in the 150km long Kuhmo-Suomussalmi greenstone belt in Eastern Finland. Nickel sulphide mineralisation identical to classic komatiite-hosted nickel deposits in Western Australia was first discovered in early 1960's, however much of the exploration was sporadic and shallow. In many locations exploration was not resumed until Vulcan's work commenced this year.

Vulcan has completed an extensive data compilation, geophysical re-processing, completion of new airborne EM and magnetic surveys, ground geophysics, regolith drilling and initial diamond drilling. This extensive work program, in addition to Vulcan's access to a proprietary nickel database, has allowed it to quickly acquire tenure over prospective geology in the belt and over all known anomalies and targets.

Vulcan has highlighted three nickel provinces at Kuhmo with differing mineralisation characteristics.

#### **a) *Kiannaniemi Region***

Vulcan has drill tested at shallow depths (25 to 60 metres) at Peura-aho and Hietaharju, some 6km apart. Mineralisation style is similar to WMC (now BHPB) discovery Collurabbie exhibiting high copper, palladium and platinum and modest nickel tenor. Massive sulphide mineralisation was discovered in outcrop in 1962 as near fresh sulphides. Drilling in the 1960's revealed disseminated mineralisation over 300 metres long within the komatiite unit and best results were 17 metres at 0.72% nickel and 0.48% copper including 3.1 metres at 1.3% nickel and 0.95% copper. The classic 'Kambalda style' of massive sulphide mineralisation located at footwall contacts were poorly tested.

Numerous targets have been identified by Vulcan's airborne EM surveys within the Region.

#### **b) *Hyrynsalmi Region***

The Sika-aho and Arola deposits in the southern 100km Kuhmo greenstone belt are significant and poorly understood nickel occurrences. Historic drilling indicates they are high nickel tenor sulphide deposits with peak values of 5% nickel. Much of the sulphide is remobilised from original host rocks and closely associated with compound komatiite lava units.

This southern area is particularly rich in nickel-copper anomalism in basal till samples and in airborne EM targets.

c) *Vaara Region*

In the north, three shallow and outcropping occurrences of high tenor disseminated nickel sulphides within thick cumulate ultramafic units similar in style to Mt Keith in Western Australia were discovered in drilling by the Geological Survey. Significant potential for extensions to this mineralisation exists. In addition there is significant potential for mineralisation in adjacent komatiite units here.

## APPENDIX 5B

### Mining Exploration entity quarterly report

Name of entity

VULCAN RESOURCES LIMITED

ACN or ARBN

100 072 624

Quarter ended ("current quarter")

June 2005

### Consolidated statement of cash flows

	Current Quarter A\$'000	Year to Date (12 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	22	88
1.2 Payments for (a) exploration and evaluation	(716)	(1,302)
(b) development	-	-
(c) production	-	-
(d) administration	(385)	(1,090)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	9	32
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other - Joint Venture earn in contribution	700	1,050
- Royalty Payment	232	232
<b>Net Operating Cash Flows</b>	<b>(138)</b>	<b>(990)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	(24)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other - Security Deposits	-	(67)
<b>Net investing cash flows</b>	<b>-</b>	<b>(91)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(138)</b>	<b>(1,081)</b>

1.13 Total operating and investing cash flows (brought forward)	(138)	(1,081)
<b>Cash flows related to financing activities</b>		
1.14 Proceeds from issues of shares (net of costs)	-	1,997
1.15 Proceeds from sale of forfeited shares	-	-
1.16 Proceeds from borrowings	-	-
1.17 Repayment of borrowings	-	-
1.18 Dividends paid	-	-
1.19 Other	-	-
<b>Net financing cash flows</b>	-	1,997
<b>Net increase (decrease) in cash held</b>	(138)	916
1.20 Cash at beginning of quarter/year to date	1,841	789
1.21 Exchange rate adjustments to 1.20	(110)	(112)
1.22 <b>Cash at end of quarter</b>	1,593	1,593

**Payments to directors of the entity and associates of the directors  
Payments to related entities of the entity and associates of the related entities**

	Current quarter \$A'000
1.23 Aggregate amount of payments to the parties included in item 1.2	86
1.24 Aggregate amount of loans to the parties included in item 1.10	-
1.25 Explanation necessary for an understanding of the transactions	
N/A	

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows	N/A
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- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

*During the quarter Cambrian Mining plc contributed \$700,000 as part of its \$1,500,000 contribution to earn a 40% interest in the company's Finnish nickel projects. This brings the total amount contributed by Cambrian to \$1,050,000. This is shown at item 1.7.*

## Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

## Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	670
4.2 Development	-
<b>Total</b>	670

## Reconciliation Of Cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	912	1,169
5.2 Deposits at call	681	672
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	1,593	1,841

## Changes in interests in mining tenements

See attached Schedule A.

### Issued and quoted securities at end of current quarter

	Total number	Number quoted	Issue price per security (cents)	Amount paid up per security (cents)
7.1 <b>Preference securities</b> <i>(description)</i>	-			
7.2 Changes during quarter	-			
7.3 <b>Ordinary securities</b>	45,844,000	45,844,000		
7.4 Changes during quarter - Issued	-			
7.5 <b>Convertible debt securities</b> <i>(description and conversion factor)</i>	-			
7.6 Changes during quarter	-			
7.7 <b>Options</b> <i>(description and conversion factor)</i>			<i>Exercise Price</i>	<i>Expires</i>
	16,650,001	16,600,001	\$0.25	31 December 2005
	12,850,000	-	\$0.20	30 June 2007
	750,000	-	\$0.20	30 June 2008
	540,000	-	\$0.20	30 June 2009
	2,500,000	-	\$0.20	30 June 2007
	2,500,000	-	\$0.26	30 June 2007
7.8 Issued during quarter	750,000 540,000	- -	\$0.20 \$0.26	30 June 2007 30 June 2007
7.9 Exercised during quarter	-			
7.10 Expired during quarter	-			
7.11 <b>Debentures</b> <i>(totals only)</i>	-			
7.12 <b>Unsecured notes</b> <i>(totals only)</i>	-			

## Compliance statement

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX.
2. This statement does give a true and fair view of the matters disclosed.

Sign here:



Date: 29 June 2005

Company Secretary

Print Name: Brett Dickson

**SCHEDULE A**

**Interests in mining tenements relinquished, reduced or lapsed during the quarter**

Tenement Reference	Nature of Interest	Interest at beginning of quarter	Interest at end of quarter
E57/422	Royalty	\$5/oz royalty	Royalty paid out
E57/424	Royalty	\$5/oz royalty	Royalty paid out
M57/529	Royalty	\$5/oz royalty	Royalty paid out
M57/530	Royalty	\$5/oz royalty	Royalty paid out

**Interests in mining tenements acquired or increased during the quarter**

Tenement Reference	Nature of Interest	Interest at beginning of quarter	Interest at end of quarter
M39/953	Application	-	100%
M39/954	Application	-	100%

**Interests in mining tenements at end of the quarter - Australia**

Tenement Reference	Nature of Interest	Interest at beginning of quarter	Interest at end of quarter
<b>MULGABBIE</b>			
E28/989	Owned	100%	100%
MLA28/310	Application	-	100%
MLA28/311	Application	-	100%
<b>PINJIN</b>			
ELA28/1142	Application	100%	100%
<b>YINDI</b>			
ELA28/932	Application	100%	100%
<b>EDJUDINA JV</b>			
E31/465*	Owned - earning 80%	Earning 80%	Earning 80%
E31/479*	Owned - earning 80%	Earning 80%	Earning 80%
E31/524*	Owned - earning 80%	Earning 80%	Earning 80%
ELA31/618*	Application - earning 80%	Earning 80%	Earning 80%
<b>EDJUDINA 100%</b>			
ELA39/884	Application	100%	100%
E31/536	Owned - earning 70%	Earning 70%	Earning 70%
ELA39/850	Owned	100%	100%
<b>YERILLA</b>			
E39/801*	Owned	100%	100%
ELA31/676	Application	-	100%
M39/953	Application	-	100%
M39/954	Application	-	100%

\* Sons of Gwalia Ltd earning a 75% interest in the company's interest.

Glossary

E	Exploration Licence
P	Prospecting Licence
M	Mining Lease
MLA	Mining Lease Application
ELA	Exploration Licence Application
R	Denotes retained royalty interest

**Interests in mining tenements at end of the quarter - Finland**

<b>Tenement Reference</b>	<b>Nature of Interest</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
<b>KYLYLAHTI AREA</b>			
3593	Mining Licence	100%	100%
3593	Mining Licence	100%	100%
3593	Mining Licence	100%	100%
7793/1	Claim	100%	100%
7793/2	Claim	100%	100%
7793/3	Claim	100%	100%
7793/4	Claim	100%	100%
7914/1	Claim	100%	100%
7906/1	Claim	100%	100%
7906/2	Claim	100%	100%
7906/3	Claim	100%	100%
7906/4	Claim	100%	100%
7906/5	Claim	100%	100%
200566	Reservation	100%	100%
200560	Reservation	100%	100%
<b>TORNIO</b>			
7677/1	Claim	100%	100%
7677/2	Claim	100%	100%
7677/3	Claim	100%	100%
7677/4	Claim	100%	100%
7677/5	Claim	100%	100%
7677/6	Claim	100%	100%
7677/7	Claim	100%	100%
7677/8	Claim	100%	100%
7677/9	Claim	100%	100%
7677/10	Claim	100%	100%
7677/11	Claim	100%	100%
7677/12	Claim	100%	100%
<b>KUHMO-SUOMUSSALMI AREA</b>			
Claim 6586/1	Rights to Nickel	-	-
Claim 7178/1	Rights to Nickel	-	-
Claim 7177/1	Rights to Nickel	-	-
Claim 7170/1	Rights to Nickel	-	-
Claim 7169/1	Rights to Nickel	-	-
Claim 7179/1	Rights to Nickel	-	-
Claim 7171/1	Rights to Nickel	-	-
Claim 7256/1	Rights to Nickel	-	-
Claim 7256/2	Rights to Nickel	-	-
Claim 7451/1	Rights to Nickel	-	-
Claim 7645/1	Rights to Nickel	-	-
Claim 7871/1	Rights to Nickel	-	-
Claim 7014/1	Claim	100%	100%
Claim 7014/2	Claim	100%	100%
Claim 7500/6	Claim	100%	100%
Claim 7500/7	Claim	100%	100%
Claim 7500/11	Claim	100%	100%
Claim 7500/16	Claim	100%	100%
Claim 7457/1	Claim	100%	100%
Claim 7457/4	Claim	100%	100%
Claim 7553/1	Claim	100%	100%
Claim 7789/1	Claim	100%	100%

