

Quarterly Report

For the Quarter Ended 31 March 2005

PROGRESS ON ALL FRONTS

- **Kylylahti Pre-feasibility study underway led by SRK and Lycopodium**
- **Additional Resources acquired in Outokumpu Copper camp**
- **Drilling commenced at Kylylahti**
- **Drilling commenced at two nickel deposits**

KYLYLAHTI PROJECT

Vulcan commenced its pre-feasibility study on the Kylylahti Copper-Cobalt Deposit ("Kylylahti") in Finland under Vulcan's new General Manager of Operations, Mr Campbell Baird. Vulcan expects the study to be completed mid year and to make a decision to commence a full bankable study on completion.

The Kylylahti Deposit has a current Resource of 3.4 million tonnes grading 1.8% copper, 0.3% cobalt, 0.2% nickel and 1 g/t gold or 8.2% copper equivalent with a metal inventory of 60,000 tonnes of copper and 10,000 tonnes of cobalt. This Resource is being updated by SRK.

Kylylahti was discovered in the 1980's and following extensive diamond drilling numerous mining, geological and metallurgical studies were completed by Outokumpu Oy up until 1995.

Vulcan's strategy is to develop an underground decline mine with an annual production rate of 300,000 to 500,000 tonnes and to grow the resource inventory through infill, extension and near mine drilling.

Study Consultants

Internationally renowned engineering and mining consultancy SRK (Steffen Robertson and Kirsten) have been appointed to conduct the pre-feasibility study. SRK have extensive project feasibility experience in base metals, underground mining and have experience in projects in Finland.

Perth based consultancy Lycopodium Engineering have been appointed metallurgical consultants to the study and are currently involved in a major bankable feasibility study in Finland.

Management Appointment

Mr Campbell Baird, B.Eng (Mining), joined Vulcan as General Manager Operations. Mr Baird is a mining engineer with extensive experience in operations, management, planning and feasibility studies and mine design. Campbell has worked with WMC at Kambalda, Mt Morgans Gold Mine with Homestake, Northparkes and the Iron Ore Company of Canada with North Limited and for the last five years has been a senior consultant with SRK and has been intimately involved with numerous feasibility studies in various commodities across the globe.

Mr Baird will be responsible for taking Kylylahti through feasibility to development.

Geology and Drilling

Vulcan commenced drilling on 11th of April 2005 and is presently 400 metres into the first stage exploration program. This program is expected to be not less than 3,000 metres with the objective of confirming the presence of previously reported thick high grade intersections of mineralisation and delineating the potential for extension of mineralisation at depth. Samples will be collected to allow commencement of metallurgical test work.

Vulcan has completed validation of the Kylylahti geological database and a review of all available geophysical data. Data was found to be of a high standard. A reinterpretation of the geology has been carried out with the assistance of geologists from the Geological Survey of Finland who have extensive experience of Outokumpu style deposits. The re-interpretation has demonstrated significant potential for extension of the resource and this information has been utilised in the development of the drill program.

Resource Estimate

SRK Consulting is compiling a new resource estimate for Kylylahti based on the re-interpretation of the geology of the deposit. This resource is expected to be delivered in May/June 2005. The previous estimate by Outokumpu OY was made in 1995 and utilised a sectional estimation method. This estimate will be the first 3-D model of the resource.

Geotechnical

SRK Consulting has also undertaken a geotechnical review of the Kylylahti Project and are working with Vulcan to ensure that geotechnical investigations form part of all exploration and development work. The review has indicated that good ground conditions can be expected in the footwall where the decline will be placed. In additional preliminary estimates of stope design indicate that large stopes can be utilised and conventional ground support will be adequate.

Portal Location

It is expected that the resource will predominantly be mined by underground methods. Three portal locations were investigated by Outokumpu in 1986 through geotechnical drilling and seismic surveys. After undertaking a risk assessment, a decline portal location was chosen and the initial 1,200 metres of proposed decline was explored through detailed geotechnical drilling. Vulcan has not decided which of the three portal locations to use to date, but it is recognised that the previous work represents a significant saving in time and cost.

Mining

The underground mining potential for Kylylahti has been internally assessed by reviewing mining method options, developing preliminary cost and performance parameters based on similar mining operations and applying geotechnical constraints as supplied by SRK's initial review

The mining methods that are considered to be suitable are:

- Bench Stopping; either up-hole benching and/or down-hole benching, extracting 15-20m high benches with progressive filling of slices if required.
- Sublevel Open Stopping (25 - 50m high stopes) with fill to enable full extraction.

The utilisation of these mining methods would allow Vulcan to achieve alluvial mining rates of between 300,000 and 500,000 tonnes.

Finland has a strong mining culture and Vulcan is developing an understanding of the operating environment of Finland through visiting Finnish operations and through discussions with contractors and suppliers.

Vulcan is confident that a mine operating in Finland will be extremely cost competitive due to access to a skilled and experienced mining workforce and through the implementation of the latest mining technology of which Finland is a world leader.

Vulcan expects that the mine will be operated with a mix of owner-operator equipment and contractors as is employed successfully at a number of mines in Finland.

Processing

Lycopodium has completed an analysis of the previous test work carried out by Outokumpu on Kylylahti which has delineated a number of possible concentrate products:

- copper-gold concentrate
- cobalt-nickel concentrate
- zinc concentrate

The work carried out by Outokumpu over the past 10 years has formed a solid base of work that has allowed Vulcan to confidently develop conceptual concentration models with realistic processing throughput rates and metallurgical recoveries, building from this work Lycopodium is presently developing a programme of metallurgical test work to optimise the recoveries and permit detailed process route design.

Vulcan is presently reviewing opportunities to enhance the value of the Kylylahti products through the application of a hydrometallurgical process route. Vulcan has identified that significant opportunities exist in some hydrometallurgical processes. Until these potential opportunities are quantified, Vulcan will continue to focus on the base case of concentrate production, before moving to secondary hydrometallurgical test work.

Infrastructure

Lycopodium has commenced the development of a processing plant, site infrastructure capital and operating cost estimate. This estimate will be used for discussion and benchmarking before completing a Pre-feasibility estimate.

Marketing

Based on an initial review of Outokumpu's metallurgical work Vulcan has approached European and other smelters and refineries with details of potential concentrate products. Favourable feedback regarding the quality and content of the Kylylahti products has been received and Vulcan is confident that the final products will be well received by the market.

Environment and Community

Vulcan has engaged both an environmental consulting group and individual experts in Finland and Australia to assist with the environmental approvals process and community consultation.

Consultation has been undertaken with landowners affected by planned drilling activities. Consultation with key stakeholders including the nearby community of Polvijärvi will commence in late April 2005.

Baseline environmental studies are scheduled to commence in June 2005. This work will form the basis of the environmental approval process. [We should also mention access to work completed to date.]

NEW PROJECTS

Vulcan has significantly increased its resources in Finland through the acquisition of the Saramaki and Vuonos copper deposits. Both projects were discovered, drilled and estimated by Outokumpu Oyj. Vulcan is now the dominant landholder in the Outokumpu mining district.

Saramaki (100% owned)

The deposit is located 15 kilometres north-west of Kylylahti and extends from the surface down to 700 metres depth over a strike length of some 1.7 kilometres. The published inferred resource for this deposit using a 0.5% copper cut-off value is **3.4Mt at 0.71% Cu, 0.79% Zn, 0.1% Co, 0.06% Ni.**

Vuonos (100% owned)

This deposit was mined from 1973 to 1985 by Outokumpu and produced 5.5Mt at 2.13% Cu, 0.14% Co, 1.32% Zn. The published remnant measured resource is **0.76Mt at 1.76% Cu, 0.14% Co and 1.33% Zn.** Mineralisation occurs at depths of 40 metres to 400 metres. Vulcan has acquired mineral claims over the mine, unmined resources and also over possible extensions to the north-west towards the deposit of Perttilahti.

NICKEL EXPLORATION

Vulcan has commenced a major nickel exploration campaign in Finland.

The program will focus on drilling two highly prospective komatiite-hosted nickel occurrences in the Kuhmo-Suomussalmi greenstone belt in Eastern Finland, Peura-aho and Hietaharju, where nickel sulphide mineralisation has already been identified in komatiites over 150 kilometres from north to south in a variety of different host units and mineralisation styles.

A comprehensive review of all available geological, geophysical and geochemical data from the Kuhmo-Suomussalmi belt has highlighted numerous untested targets. Vulcan has prioritised these targets and commenced a program of airborne geophysics and geochemical till drilling to further delineate targets for drill testing.

Peura-aho and Hietaharju were discovered in the 1960's and have not been revisited for over 20 years. Four additional nickel sulphide deposits were identified by historic exploration and will be tested in future programs.

Peura-aho

At Peura-aho, up to nine holes will be drilled to test beneath a 20 metre long outcrop of low-tenor massive nickel sulphides. The massive sulphides are coincident with a 250 metre long magnetic anomaly which will be tested in this program. The highest values obtained in previous drilling were 3.6% nickel, 2.2% copper and 2.9g/t Pt plus Pd. The best intercept was 2.25 metres at 2.3% nickel and 0.3% copper.

Mineralisation is hosted in a northerly plunging antiform where a 50 metre thick komatiite flow unit sits on a felsic volcanic substrate. A significant airborne electromagnetic anomaly occurs on the western limb of this antiform some 0.5 kilometre along strike from the Peura-aho deposit.

A characteristic of both deposits to be drilled is that they are hosted by lower magnesium komatiites than is usual in Australia and thus nickel sulphides are higher in platinum group elements and copper, but lower in nickel tenor than 'Kambalda-style' deposits.

Hietaharju

Nickel sulphide mineralisation 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 sulphides.

In shallow bedrock drilling, values up to 2% nickel have been recorded and historic diamond drilling has returned values up to 3.6% nickel, 3.1% copper and 18g/t Pt plus Pd. The best intercept is 2.45 metres at 1.9% nickel and 0.8% copper.

Drilling will be targeted at basal contact mineralisation in two locations approximately 400 metres apart, at coincident outcropping nickel sulphides, and at a geophysical anomaly in a parallel komatiite unit to the east.

Corporate

Vulcan holds these nickel assets through its 100% owned subsidiary Kuhmo Nickel plc. UK-based Cambrian Mining plc will earn a 40% shareholding in Kuhmo by providing the first \$1.5 million of funding for the exploration program. It is Cambrian's intention to sponsor the London listing of this new nickel company on the London Stock Exchange Alternative Investment Market (AIM) in mid-2005.

FINANCIAL

As at 31 March 2005, the Company had 45.8 million shares on issue and cash on hand of \$1.8 million.

Dated this 29th day of April 2005.

Signed on behalf of the Board of Vulcan Resources Limited.



BRETT DICKSON
Director

Competent Person Statement

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. who is a Competent Person (as defined by the Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves) with relevant experience in relation to such mineralisation and is an employee of Vulcan Resources Limited. He has consented to the form of this report.

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APPENDIX 5B

Mining Exploration entity quarterly report

Name of entity

VULCAN RESOURCES LIMITED

ACN or ARBN

100 072 624

Quarter ended ("current quarter")

March 2005

Consolidated statement of cash flows

	Current Quarter A\$'000	Year to Date (9 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	20	66
1.2 Payments for (a) exploration and evaluation	(348)	(586)
(b) development	-	-
(c) production	-	-
(d) administration	(300)	(705)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	8	23
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other - Joint Venture earn in contribution	350	350
Net Operating Cash Flows	(270)	(852)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(24)	(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)	(67)
Net investing cash flows	(91)	(91)
1.13 Total operating and investing cash flows (carried forward)	(361)	(943)

1.13 Total operating and investing cash flows (brought forward)	(361)	(943)
Cash flows related to financing activities		
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	-	-
Net financing cash flows	-	1,997
Net increase (decrease) in cash held	(361)	1,054
1.20 Cash at beginning of quarter/year to date	2,204	789
1.21 Exchange rate adjustments to 1.20	(2)	(2)
1.22 Cash at end of quarter	1,841	1,841

**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	76
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

During the quarter the Company issued 500,000 fully paid ordinary shares in lieu of consulting fees.

- 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 \$350,000 as part of its \$1,500,000 contribution to earn a 40% interest in the company's Finnish nickel projects. 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	600
4.2 Development	-
Total	600

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	1,169	1,540
5.2 Deposits at call	672	664
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,841	2,204

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 Preference securities <i>(description)</i>	-			
7.2 Changes during quarter	-			
7.3 Ordinary securities	45,844,000	45,844,000		
7.4 Changes during quarter - Issued	500,000	500,000		
7.5 Convertible debt securities <i>(description and conversion factor)</i>	-			
7.6 Changes during quarter	-			
7.7 Options <i>(description and conversion factor)</i>	12,850,000 16,650,001 2,500,000 2,500,000	Nil 16,600,001 - -	<i>Exercise Price</i> \$0.20 \$0.25 \$0.20 \$0.20	<i>Expires</i> 30 June 2007 31 December 2005 30 June 2008 30 June 2009
7.8 Issued during quarter	-			
7.9 Exercised during quarter	-			
7.10 Expired during quarter	250,000	-	\$0.25	31 December 2005
7.11 Debentures <i>(totals only)</i>	-			
7.12 Unsecured notes <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 April 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
ELA28/1083	Relinquished during the quarter	100%	Nil
E31/562	Relinquished during the quarter	100%	Nil
E31/444	Relinquished during the quarter	100%	Nil
ELA39/844	Relinquished during the quarter	100%	Nil

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
MLA28/310	Application	-	100%
MLA28/311	Application	-	100%
ELA31/676	Application	-	100%

Interests in mining tenements at end of the quarter

Tenement Reference	Nature of Interest	Interest at beginning of quarter	Interest at end of quarter
MULGABBIE E28/989	Owned	100%	100%
BLACK HILL E57/422	Royalty	\$5/oz royalty	\$5/oz royalty
E57/424	Royalty	\$5/oz royalty	\$5/oz royalty
M57/529	Royalty	-	\$5/oz royalty
M57/530	Royalty	-	\$5/oz royalty
PINJIN ELA28/1142	Application	100%	100%
YINDI ELA28/932	Application	100%	100%
EDJUDINA JV 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%
EDJUDINA 100% ELA39/884	Application	100%	100%
E31/536	Owned - earning 70%	Earning 70%	Earning 70%
ELA39/850	Owned	100%	100%
YERILLA E39/801*	Owned	100%	100%
ELA31/676	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