

VULCAN RESOURCES LIMITED

ACN 100 072 624

ANNUAL REPORT

2002

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CORPORATE DIRECTORY

Directors:

Dr Alistair Cowden
Executive Chairman

Mr Brett D Dickson
Finance Director

Mr Michael Blakiston
Non-Executive Director

Company Secretary:

Mr Brett D 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

Stock Exchange:

Australian Stock Exchange Limited

Company Code:

VCN (Fully Paid Shares)

Issued Capital:

25,134,000 Fully paid ordinary shares

4,000,000 20 cent, 30 June 2007 options

For shareholder information contact:

Share Registry:

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

Telephone: (08) 9323 2000

Facsimile: (08) 9323 2033

For information on your company contact:

Principal & Registered Office:

Level 1
8 Colin Street
West Perth, Western Australia, 6005

Telephone: (08) 9486 4622

Facsimile: (08) 9486 4933

Web: www.vulcanresources.com.au

CHAIRMAN'S REVIEW

Dear Fellow Shareholder,

I should like to welcome you as a shareholder in Vulcan Resources Limited ("Vulcan"). At the time of writing, Vulcan had been listed for just three weeks, commencing trading on ASX on 10th September with a total of 25.1 million shares on issue.

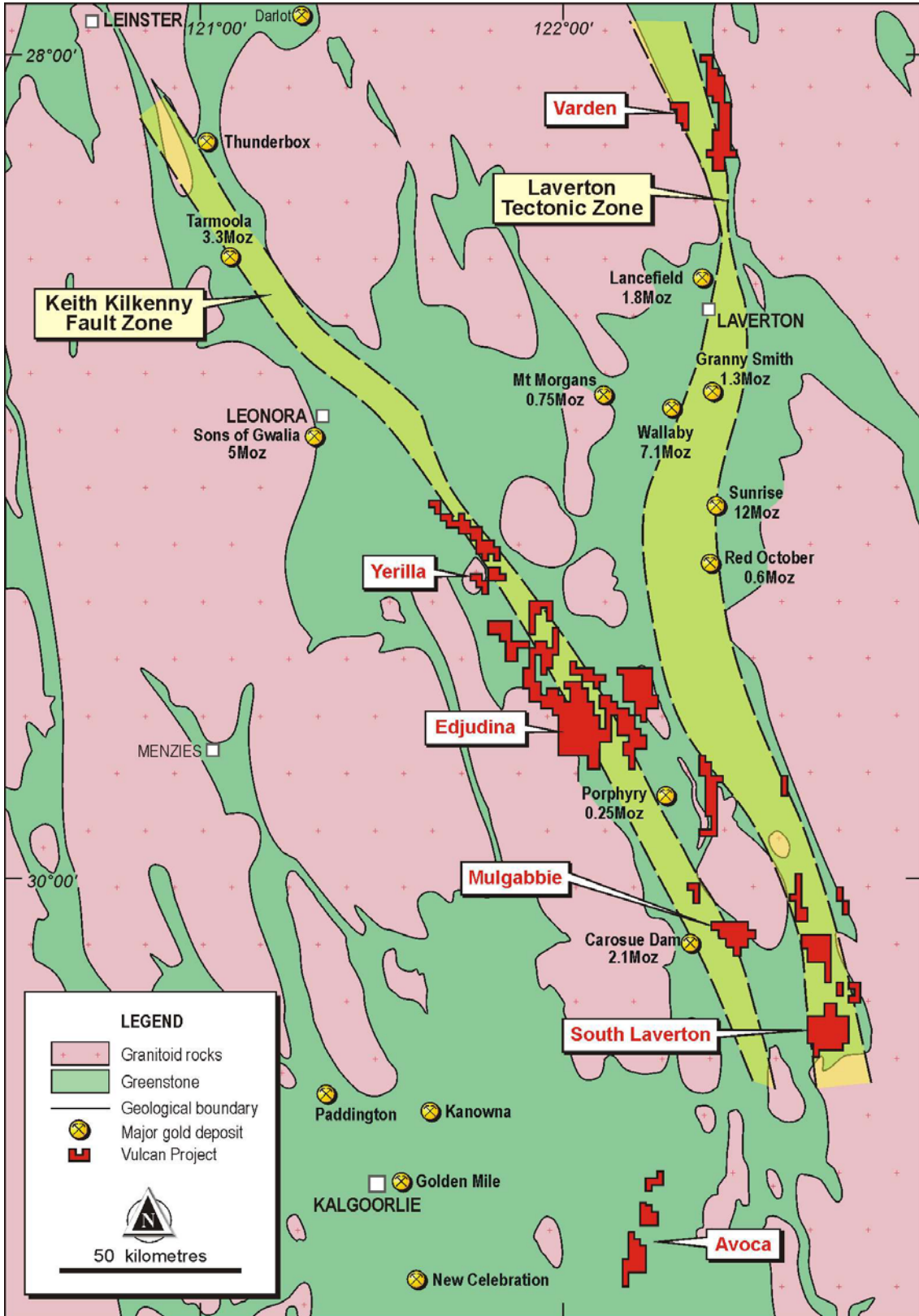
You now own part of a business that has an excellent capital structure, significant cash resources, a management and Board with a record of wealth creation in the Resources Industry and an excellent portfolio of projects in the Kalgoorlie region.

Exploration activity commenced immediately on listing and a 2,000 metre programme of RAB/aircore drilling is expected to be completed and results due for announcement by the time you receive this report. The drilling at Mulgabbie, 110km north-east of Kalgoorlie and adjacent to the 2.5 million ounce Carosue Dam gold mine, is targeted at the central anomaly, which extends for 2km in an area of complex cover. Previous very wide-spread drilling encountered 5m at 2.5 g/t in weathered bedrock confirming the potential of the prospect.

The Board is mindful of the trust you have placed in them in managing your money. To maximize potential capital growth, we have embarked on a three-fold strategy as outlined in our Prospectus – drilling of our most attractive targets, evaluating our regional project portfolio and seeking partnerships where appropriate, and looking for opportunities to make acquisitions which represent excellent propositions for value-adding by Vulcan.

I believe that junior resource companies can and do represent an excellent investment opportunity, if the companies are well managed and seek to mitigate the inherent risk in exploration. Returns may take time and investment horizons should be focused beyond a few months. Vulcan aims to be one of those companies that create wealth, spread risk and seek to be entrepreneurial. We have commenced a journey which we hope will be both rewarding and exciting to share with our investors.

Alistair Cowden
Chairman



VULCAN PROJECTS IN RELATION TO MAJOR STRUCTURES AND GOLD MINES

CORPORATE OVERVIEW

The Company's objective is to create wealth for its shareholders through the discovery, acquisition, development or sale of gold and other mineral deposits primarily in Australia.

To achieve this objective the Company's immediate strategies are to:

- drill projects with immediate and compelling targets;
- conduct first pass exploration of its large strategic ground holdings which are located on major regional structures; and
- utilise its capital structure for leveraging major transactions/acquisitions.

Risk and cash burn will be managed by the Company only committing its funds, beyond initial evaluation and testing, to advanced prospective projects. Those that are at an earlier stage of development will be offered for joint venture and under performing assets will be relinquished. Vulcan regards exploration as a business and will be proactive in leveraging minimal expenditure for shareholder maximum benefit.

The Company believes small explorers need focus, and Vulcan is largely concentrating on large ground holdings on regional structures in the Eastern Goldfields.

The Company's focus is on gold discovery in the Eastern Goldfields as Vulcan believes market and commercial rewards are greatest for companies in this area. The Company can build on existing data and the well understood exploration and discovery models for gold deposits in the area and the discovery experience of management.

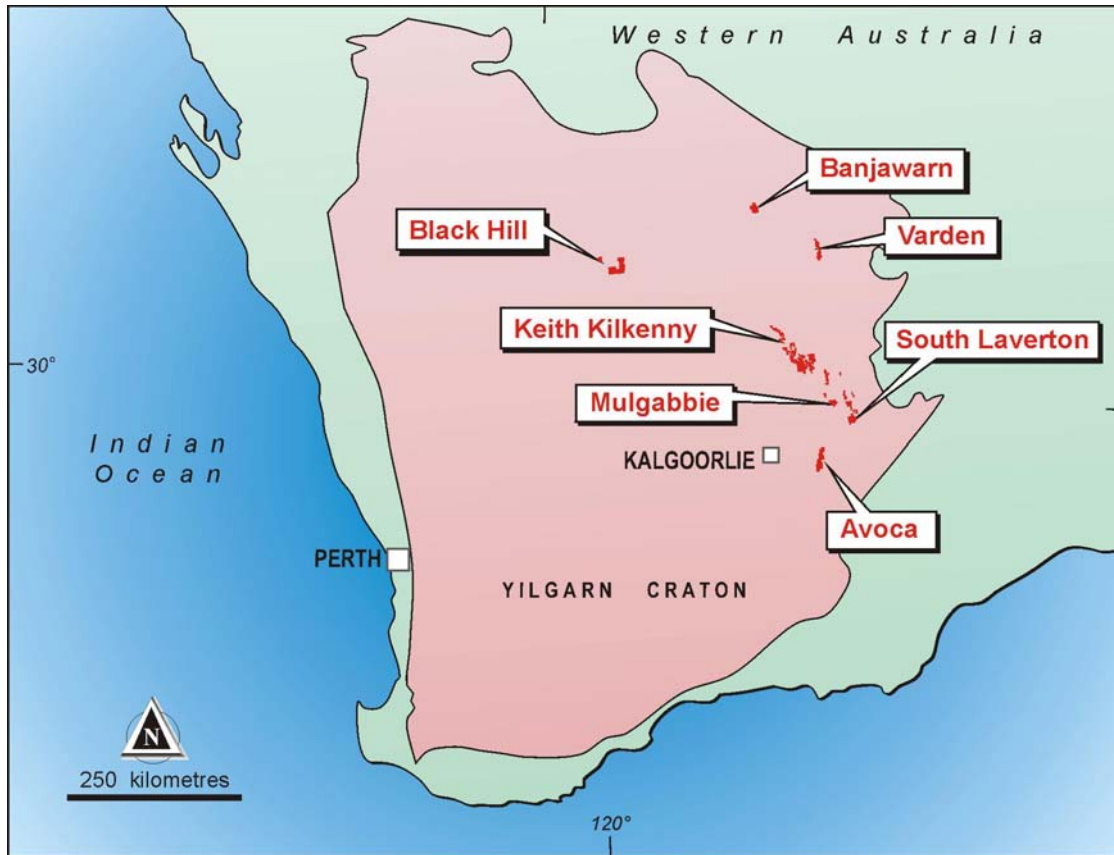
Complementing the regional approach, there are a number of attractive targets ready for or close to drill testing within the Company's suite of projects. Those targets will be tested over the next six to nine months.

The third dimension to Vulcan and a major strength of the Company is its capital structure. This structure allows the Company to grow by acquisition.

It is recognised that due to the corporate consolidations being undertaken worldwide there are opportunities to acquire significant producing or near production mineral projects that have attractive cash flow and return on capital projections but simply do not meet the minimum size criteria of the current owner.

It is an aim of the Company, through its extensive contacts and experience on the Board, to acquire such a project to complement its exploration effort.

PROJECTS



PROJECT LOCATION

The Company's 1,614km² suite of seven projects are all based in the Eastern Goldfields, other than Black Hill at Sandstone, and include a number of attractive targets ready, or close to, drill testing.

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

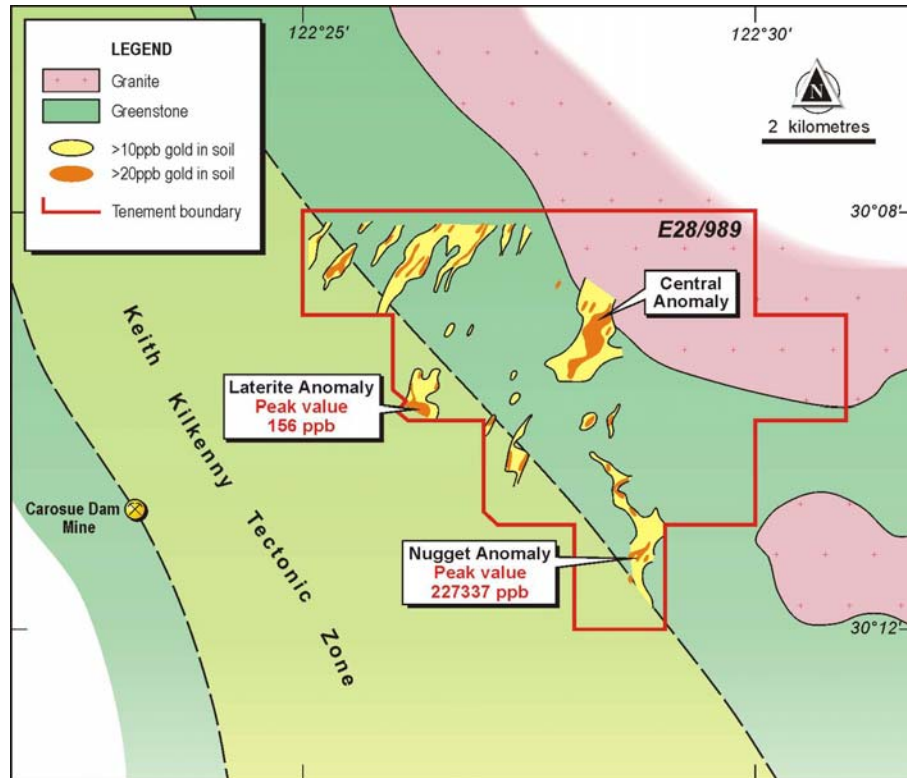
Mulgabbie

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

The weathering profile is largely intact and prior to Croesus acquiring the project there had been little previous exploration. Three significant gold geochemical anomalies have been generated; Nugget, Central and Laterite. The Nugget-Central trend stretches semi-continuously for 5km and is defined by erratic and sometimes spectacular gold anomalism (227g/t in soil-auger samples, 13.8g/t and 6.9g/t in rock chips). Up to 5m at 2.5g/t was encountered in wide-spaced RAB drilling. The laterite anomaly extends for 1km north-south and has had only one line of drill testing. There is also extensive untested anomalism over an area of 1.5km x 3km in the north west of the tenement.

PROJECTS

The targets on Mulgabbie are very attractive and are largely untested. Its location within a major structure and adjacent to a major gold deposit further enhances its prospectivity. Initial exploration will focus on close-spaced RAB drill testing.



MULGABBIE PROJECT GOLD-IN-SOILS

Black Hill Project

The Black Hill Project is located near the township of Sandstone, 500km north east of Perth. The Project covers 183km² of the prospective Sandstone Greenstone Belt and consists of three granted exploration licences.

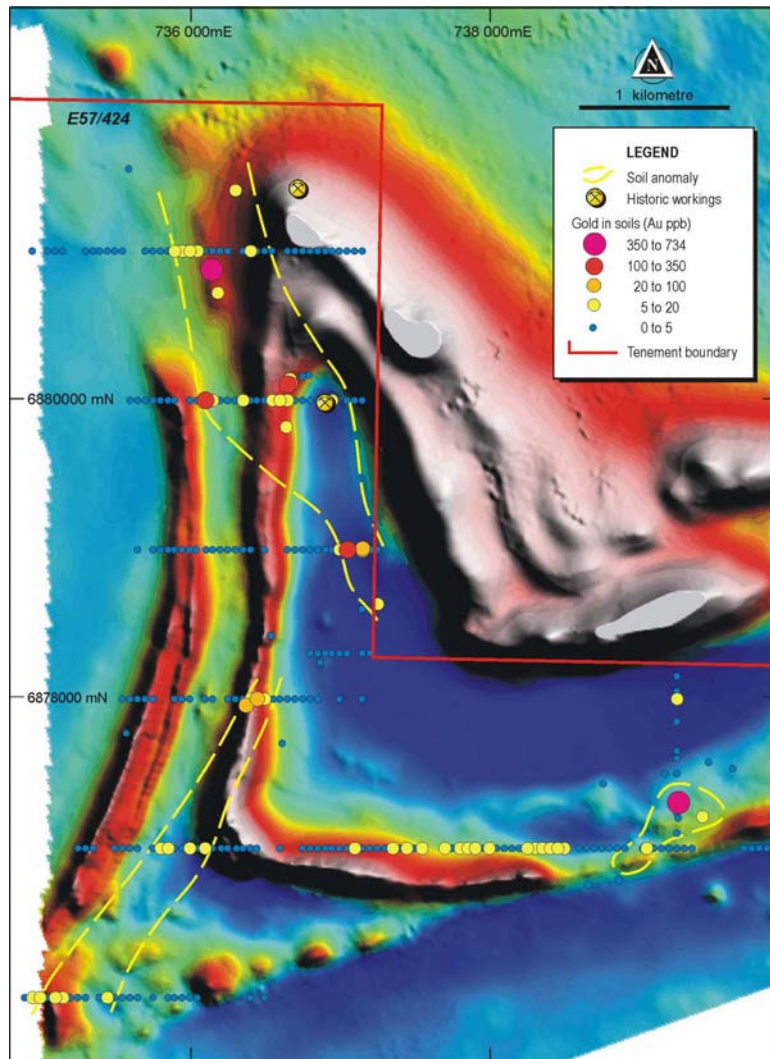
The most recent discovery of significance in the Sandstone area is Troy Resources NL's Bulchina Project; a low cost and highly profitable gold mine on the western margin of the Sandstone Belt. The Sandstone region was historically a rich goldfield, producing over 550,000 ounces of gold from a relatively small greenstone belt.

A number of anomalies ready for optimisation and drill testing have been defined by field reconnaissance, soil geochemistry, geophysical interpretation and the results of limited previous work. These anomalies, such as those on E57/424 shown below, range from 1km to 3km in length and gold-in-soil values peak at 240ppb. One of the project tenements, E57/425, is partially covered by lateritic deposits, contains largely untested old workings and lies 3km from Troy Resources NL's Bulchina Project.

Considerable areas of the project are covered by depositional regolith, which appear to have hindered previous explorers' exploration efforts and apart from localised, unsystematic drilling around old workings in the Black Hill Project area, no systematic exploration programs have been completed on the area.

PROJECTS

Black Hill is Vulcan's second priority for drilling and the significant gold-in-soil anomalies will be further evaluated in the next quarter.



BLACK HILL PROJECT – MAGNETIC IMAGE AND GOLD-IN-SOIL VALUES ON E57/424

Keith-Kilkenny Tectonic Zone Regional Project

The Keith-Kilkenny fault zone is a 500km long north to north-west trending major tectonic lineament transcending 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 or exploration has been ineffective 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 area therefore remains effectively underexplored and is one of the few significant major structural corridors in the Eastern Goldfields that remains largely untested.

PROJECTS

Vulcan's approach to the area is to use a synthesis of traditional techniques; mapping, prospecting, surface geochemistry and auger geochemistry together with reconnaissance drilling, geophysical and geomorphological interpretation and structural analysis. This exploration will occur in the context of the magnetic signature of magnetite-hematite alteration characteristic of gold deposits in the area.

The Keith-Kilkenny Tectonic Zone Regional Project consists of two discrete tenement areas.

Edjudina Project

The Edjudina Project is 755km² in area, covers part of the under explored, regional scale Keith-Kilkenny Fault Zone and comprises thirteen 100% Croesus owned tenements and applications, two applications by a third party as well as nine tenements and applications in a joint venture with Avoca Resources Limited. Vulcan may earn an 80% interest in the Avoca Resources Limited tenements by expenditure of a further \$577,000 by 26 March 2003.

Compilation of previous exploration has generated a number of targets, however, to date exploration has been largely ineffective and a fresh integrated regional approach to target generation will be taken. Exploration technologies have advanced such that exploration in areas of transported regolith is now commonplace. Much of the area is covered by extensive sheetwash and lake sediment cover which has discouraged conventional surficial geochemical exploration. Mineralisation style at Edjudina has common themes with the Wallaby and Jubilee discoveries at Laverton where gold is associated with brittle felsic lithologies and is associated with hematite-magnetite alteration assemblages. It is expected that interpretation of detailed aeromagnetics will generate targets with the characteristic magnetic signature of such deposits.

Yerilla Project

The Yerilla Project is the northernmost group of tenements on the Keith-Kilkenny Tectonic Zone and is located 160km to 200km north to north east of Kalgoorlie. It comprises eight discrete tenements totaling 105km² in area. The area is relatively underexplored and little historic exploration has been reported.

Previous historic gold mining activity has occurred around the Yerilla Homestead and to the south at the Mt Catherine-McAuliffe Well area in underground workings on high-grade, quartz-veined stock works.

Initial effort will be directed towards regional exploration and target identification.

Southern Laverton Tectonic Zone Project

Located 140km east to north east of Kalgoorlie, the Project comprises ten discrete tenements of 236km² in area. It occupies part of the Southern Laverton Tectonic Zone which is a regionally significant north-south regional structure that extends from Duketon 400km to the north and for 100km to the south of the project. At Laverton, there are several multi-million ounce gold deposits associated with this feature. In the immediate area discoveries have been made at Anglo Saxon (Pinjin), Old Plough Dam and Carosue Dam.

The area has had little systematic gold exploration due to extensive but variable regolith cover mostly related to salt lakes.

PROJECTS

Auger soil geochemical sampling at Pinjin has defined several continuous gold anomalies up to 20ppb gold. At Yindi, auger geochemistry by Croesus has identified a 1km x 200m gold anomaly peaking at 60ppb. This and other anomalism also occurs in a structurally favourable locus on the margins of an internal granitoid which deforms regional strike trends. These gold anomalies will be further defined prior to RAB testing.

Avoca Project

The Avoca Project comprises three exploration licences 97km² in area located 75km east of Kalgoorlie. The area has extensive cover and is transected by the major regional structure the Avoca Fault. Extensive low level soil anomalism that requires infill and drill testing is coincident with the Avoca structure.

Banjawarn Project

The Banjawarn Project is located 150km north of Leonora and 45km north east of the Darlot Mine and consists of two contiguous tenements (E37/544 and E37/563). It is located 25km south east 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 maximum values of 282ppb gold and 23g/t gold respectively and produced large en-echelon north to north west trending gold anomalies. The largest gold anomalous trend (+10ppb gold) can be traced over 5km and is associated with a regional structure expressed as a sheared and quartz-veined mafic-ultramafic sequence in old workings with rock chip values up to 13g/t gold.

This large anomaly will be our early focus and exploration planned is to complete and confirm geochemical sampling and to test targets with first pass RAB drilling.

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.

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.

CORPORATE GOVERNANCE

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.

DIRECTORS' REPORT

Your Directors present their report on the Company for the period 28 March 2002, being the date of incorporation, to 30 June 2002.

DIRECTORS

The following persons were Directors of Vulcan Resources Limited ("Vulcan") from inception up to the date of this report:

Dr Alistair Cowden (appointed 28 March 2002)

Mr Michael Blakiston (appointed 28 March 2002)

Mr Brett Dickson (appointed 28 March 2002)

PRINCIPAL ACTIVITIES

The principal activity of the Company since incorporation was the acquisition of its mineral tenements and preparation for listing on the Australian Stock Exchange.

RESULT FROM OPERATIONS

During the period the Company recorded an operating loss of \$8,730.

DIVIDENDS

No amounts have been paid or declared by way of dividend of the Company since the date of incorporation and the Directors do not recommend the payment of any dividend.

REVIEW OF OPERATIONS

During the period in review, the Company entered into agreements with Croesus Mining NL ("Croesus") to acquire 1,614 km² of mineral tenements. Those tenements comprise seven projects based in the Eastern Goldfields of Western Australia and include a number of attractive targets ready, or close to, drill testing. The Company acquired these projects for a consideration comprising \$225,000 and the issue of 2,000,000 shares and the grant to Croesus of a royalty.

On 5 June 2002 the Company issued a Prospectus with a view to raising sufficient funds to enable it to list on ASX. The Prospectus closed on 31 August 2002 after raising \$2.986 million and the Company listed on ASX on 10 September 2002.

The Company carried out no other activities during the period.

DIRECTORS' REPORT

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

On 29 May 2002 the Company entered into an option agreement with Croesus whereby Croesus granted Vulcan an option to purchase Croesus' interest in certain mineral tenements.

On 29 May 2002 the Company entered into a sale agreement with Croesus whereby Vulcan was to acquire all of Croesus' interest in the mineral tenements the subject of the option agreement referred to above.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

Since the end of the financial period the Company completed its capital raising and listed on ASX as described in the Review of Operations. No other matter of circumstance has arisen since the end of the financial period 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.

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.

INFORMATION ON DIRECTORS

Dr Alistair Cowden (*Executive Chairman*)

B.Sc. (Hons), Ph.D, Mausimm, MAIG

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, exploration company management, project generation, grass roots exploration, project management, feasibility studies through to mine geology and mineral deposit research.

Alistair was instrumental in the listing of Archaean Gold NL, which after 24 months delivered \$1.32 to initial investors who paid 20 cents, the listing of Magnetic Minerals Limited, which at the date of this prospectus is trading at a 60% premium to its listing price, and in the restructure of Exodus Minerals Ltd to 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 project, Syerston nickel - cobalt laterite deposit, Hartley platinum mine, St Ives gold mine and Kambalda nickel mines.

DIRECTORS' REPORT

Dr Cowden was a founding director of the Australian Gold Council and has a B.Sc (Hons), Geology from the University of Edinburgh and a PhD in Geology from the University of London. He is currently Non-Executive Chairman of Magnetic Minerals Limited and Managing Director of Australian Cancer Technology Limited.

Mr Brett Dickson (*Executive Finance Director*)

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 ASX and is currently Finance Director for Australian Cancer Technology Limited.

He has had close involvement with the financing and development of a number of Greenfield resources projects including the Mt Horner and Blina oilfields, the 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 has worked together with Dr Cowden for the last eight years.

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 & Crabb. Mr Blakiston has been practicing law for over 20 years.

Mr Blakiston is a director of several public companies; Black Range Minerals Ltd, 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.

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.

DIRECTORS' REPORT

MEETING OF DIRECTORS

During the financial period ended 30 June 2002 there were six meeting of Directors which were attended by all the Directors.

DIRECTOR AND EXECUTIVE EMOLUMENTS

During the period 4,000,000 options with an exercise price of \$0.20 were awarded to Directors after approval was obtained by shareholders at a general meeting. Options granted as part of remuneration have been valued using an option pricing model which takes account of factors such as the option exercise price, the current level and volatility of the underlying share price and the time to maturity of the option. It was considered that at the time of grant, each Director held options with the following values:

- A Cowden	\$640
- B Dickson	\$420
- M Blakiston	\$420

Since grant no options have been exercised and at balance date and the date of this report 4,000,000 remain outstanding.

During the financial period no other emoluments were paid to Directors or executives.

EMPLOYEES

The Company did not have any employees at 30 June 2002.

CORPORATE STRUCTURE

Vulcan Resources Limited is a company limited by shares which is incorporated and domiciled in Australia.

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.

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.

DIRECTORS' REPORT

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

B DICKSON

Director

Dated the 30th day of September 2002.

STATEMENT OF FINANCIAL PERFORMANCE

For the Year Ended 30 June 2002

CLASSIFICATION OF EXPENSES BY NATURE	Notes	28/3/02 – 30/6/02 (\$)
Expenses from ordinary activities	2	<u>(8,730)</u>
Loss from ordinary activities before income tax expense		(8,730)
Income tax expense	3	-
Net loss attributable to members of Vulcan Resources Limited		<u>(8,730)</u>
Total changes in equity other than those resulting from transactions with owners as owners		<u>(8,730)</u>
Basic loss per share (cents per share)	6	(0.11)
Diluted loss per share (cents per share)	6	(0.11)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2002

	Notes	2002 (\$)
Current Assets		
Cash assets	8	121,862
Receivables	9	8,631
Other	10	115,277
Total Current Assets		245,770
Non-Current Assets		
Other – Capitalised Exploration Expenditure	11	25,000
Total Non-Current Assets		25,000
TOTAL ASSETS		270,770
Current Liabilities		
Payables	12	58,100
Total Current Liabilities		58,100
TOTAL LIABILITIES		58,100
NET ASSETS		212,670
EQUITY		
Contributed Equity	13	221,400
Accumulated losses	14	(8,730)
TOTAL EQUITY		212,670

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2002

	Notes	28/3/02 – 30/6/02 (\$)
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers		(115)
Net cash used in operating activities	7	<u>(115)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of mineral tenements		(25,000)
Net cash used in investing activities		<u>(25,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares		221,400
Prospectus expenses		(74,423)
Net cash provided by financing activities		<u>146,977</u>
Net increase in cash held		121,862
Cash at 28 March 2002 (“date of incorporation”)		-
Cash at 30 June 2002	8	<u>121,862</u>

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Period Ended 30 June 2002

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 incorporation to 30 June 2002.

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 2 working days net of outstanding bank overdrafts.

(c) 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 area of interest that is abandoned are written off in the year in which the decision to abandon is made.

(d) 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.

(e) Contributed Equity

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

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

(f) 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Period Ended 30 June 2002

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)

Future income tax benefits are not brought to account unless:

- in the opinion of the directors, realization 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 realizing the benefit.

(g) 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.

(h) 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.

Cash flows are included in the Statement of Cash Flow on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

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

(i) 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.

(j) 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 will be recognised as a reduction in equity once the issue is complete.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2002

NOTE 2 EXPENSES AND LOSSES/(GAINS)	2002 (\$)
Expenses from ordinary activities	
Audit fees	5,000
Administration expenses	3,730
	8,730
	8,730

NOTE 3 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	8,730
Prima facie tax benefit on profit (loss) from ordinary activities before income tax at 30%	2,619
Tax losses not brought to account as future income tax benefit	(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 \$8,730.

The potential future income tax benefit of these losses (\$2,619) 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Period Ended 30 June 2002

NOTE 4 REMUNERATION AND RETIREMENT BENEFITS

(a) Directors' Remuneration

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

Alistair Cowden (appointed 28 March 2002)
 Michael Blakiston (appointed 28 March 2002)
 Brett D Dickson (appointed 28 March 2002)

	2002 (\$)
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:	1,480
<hr/>	
The number of directors of Vulcan Resources Limited whose income (including superannuation contributions) falls within the following bands is:	
\$0 - \$9,999	3
<hr/>	

NOTE 5 AUDITORS REMUNERATION

Remuneration of the auditor of the Company for:

Auditing and reviewing the financial report	5,000
Other services	5,000
	10,000
	10,000

Other services relate to the preparation of an Independent Accountants Report for inclusion in a Prospectus prepared by the Company.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Period Ended 30 June 2002

NOTE 6 LOSS PER SHARE

2002
\$

The following reflects the income and share data used in the calculation of basic and diluted earnings per share

Net profit (loss)	(8,730)
Adjustments:	
- Nil	-
- Earnings used in calculating basic and diluted earnings per share	(8,730)
	(8,730)
Weighted average number of ordinary shares used in calculating basic earnings per share	7,768,831
Effective of dilutive securities:	
- Share options (i)	-
	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	7,768,831

(i) Share options are not dilutive as their exercise would have the impact of decreasing loss per share.

Conversion, calls, subscriptions or issues after 30 June 2002

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.

NOTE 7 CASH FLOW INFORMATION

2002
(\$)

(a) Reconciliation of Cash Flow from Operations with Loss from ordinary activities after Income Tax:	
Loss from ordinary activities after Income Tax	8,730
Changes in Assets and Liabilities	
- Increase in receivables	(3,615)
- Increase in payables	(5,000)
	(8,615)
Cash Out Flow from Operations	115

(b) During the period there were no non-cash financing and investment activities.

(c) The Company does not have any credit standby arrangements, used or unused loan facilities.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Period Ended 30 June 2002

NOTE 8 CASH

**2002
(\$)**

Cash at bank	121,862
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NOTE 9 CURRENT RECEIVABLES

Trade Debtors	8,631
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Terms and Conditions

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

NOTE 10 OTHER CURRENT ASSETS

Prepayments	115,277
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NOTE 11 OTHER NON-CURRENT ASSETS

Exploration Expenditure	
Areas of interest in exploration and evaluation phases	
Opening balance	-
Expenditure incurred during the period	25,000
	25,000

NOTE 12 CURRENT PAYABLES

Trade creditors	58,100
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Terms and Conditions

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

NOTE 13 CONTRIBUTED EQUITY

Ordinary shares at beginning of period	-
Issue of 7 shares upon incorporation	-
Share conversion of existing 7 shares into 7,000,000 shares	-
Issue of 1,000,000 shares at \$0.03 cents per share	30,000
Issue of 3,190,000 shares at \$0.06 cents per share	191,400
	221,400
At reporting date: 11,190,000 ordinary shares	221,400

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Period Ended 30 June 2002

NOTE 13 CONTRIBUTED EQUITY *(cont'd)*

During the year 4,000,000 options exercisable at \$0.20 cents per share on or before 30 June 2007 were issued. No options have been exercised at the date of this financial report.

2002
(\$)

NOTE 14 ACCUMULATED LOSSES

Balance at 28 March 2002 (date of incorporation)

-

Net loss attributable to members of Vulcan Resources Limited

(8,730)

Balance at end of year

(8,730)

NOTE 15 CAPITAL 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 Petroleum and Minerals minimum expenditure requirements which for the 2002/03 financial year amount to \$512,900. These may be varied or deferred on application and are expenditures expected to be met in the normal course of business.

NOTE 16 JOINT VENTURE

The Company has an interest in only one joint venture, being the Edjudina joint venture. Pursuant to this joint venture the Company may earn a 70% interest in the Edjudina group of tenements through the expenditure of \$577,387. To date the Company has not expended any funds on this venture and currently has no assets or liabilities employed in joint venture operations.

NOTE 17 SEGMENTS

The Company operates only in one business, being the exploration for gold. Geographically all the Company's activities are conducted in Western Australia.

NOTE 18 CONTINGENT LIABILITIES

Should the Company be successfully listed on ASX it is required to pay Croesus \$200,000 and issue 2,000,000 ordinary shares as payment for mineral tenements.

Since the end of the financial period these liabilities have been met in full.

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 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Period Ended 30 June 2002

NOTE 19 EVENTS SUBSEQUENT TO REPORTING DATE

Since the end of the reporting date the Company completed a capital raising of \$2,986,000 through the issue of 11,944,000 ordinary shares and listed on ASX on 10 September 2002.

There has been no other event or circumstance since balance date which may have an effect on this financial report.

NOTE 20 RELATED PARTY TRANSACTIONS

Director and director related entities held directly, indirectly or beneficially as at the reporting date the following equity interests in the Company:

Ordinary Shares	7,272,000
Options over Ordinary Shares	4,000,000

(a) During the year no fees were paid to directors or their director related entities by the Company.

NOTE 21 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	2002 Non Interest Bearing	Weighted Average Interest Rate
Financial Assets			
Cash	-	121,862	N/A
Trade Debtors	-	8,631	N/A
Total Financial Assets	-	130,493	N/A
Financial Liabilities			
Payables	-	58,100	N/A
Total Financial Liabilities	-	58,100	N/A

(b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to 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.

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. the financial statements and notes as set out on pages 17 to 27
 - (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 2002 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

Brett Dickson

Dated this 30th day of September 2002.

INDEPENDENT AUDIT REPORT TO THE 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

INDEPENDENT AUDIT REPORT

To the members of Vulcan Resources Limited

GPO Box M939
Perth WA 6843

Scope

We have audited the financial report of Vulcan Resources Limited for the financial year ended 30 June 2002, as set out on pages 17 to 28, including the Directors' Declaration. The company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and statutory requirements in Australia, so as to present a view which is consistent with our understanding of the company's financial position and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

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 company's financial position as at 30 June 2002 and 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 professional reporting requirements in Australia.

Ernst & Young

V W Tidy

Partner

Perth

Date: 27 September 2002

SCHEDULE OF MINING TENEMENTS

Project	Tenement	Interest
MULGABBIE	E28/989	100%
BLACK HILL	E57/422	100%
	E57/424	100%
	E57/425	100%
EDJUDINA AVOCA JV	ELA31/312	Earning 80%
	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%
	E39/795	Earning 80%
	E38/945	Earning 80%
	E38/1152	Earning 80%
	E38/1153	Earning 80%
EDJUDINA – 100% OWNED	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	100%
	E39/801	100%
	E39/843	Earning 70%

SCHEDULE OF MINING TENEMENTS

Project	Tenement	Interest
	ELA39/850	100%
	E39/921	100%
	E39/922	100%
	P39/4093	100%
	P39/4094	100%
PINJIN	E28/1008	100%
	ELA28/1083	100%
	ELA28/1142	100%
	E28/955	100%
	E31/466	100%
	E31/467	100%
	E31/562	100%
YINDI	E28/1028	100%
	ELA28/1169	100%
	E28/932	100%
AVOCA	ELA25/237	100%
	E28/994	100%
	E28/1044	100%
BANJAWARN	E37/544	100%

Key to Tenement Schedule

- P - Prospecting Licence
- E - Exploration Licence
- ELA - Exploration Licence Application
- ARB - Aboriginal Representative Body

OTHER INFORMATION

The following information was applicable as at 11 September 2002.

1. Shareholding

(a) Distribution of Shareholders Number

Category (size of Holding)	Number
1 - 1,000	-
1,001 - 5,000	-
5,001 - 10,000	252
10,001 - 100,000	175
100,001 and over	<u>26</u>
	453

(b) The number of shareholdings held in less than marketable parcel is Nil.

(c) There were no substantial shareholders listed in the Company's register as at 11 September 2002.

(d) Top 20 shareholders

Name	Number of Shares	% of Issued Share Capital
1. Drumfrochar Pty Ltd	2,825,700	11.24
2. Croesus Mining NL	2,744,000	10.92
3. Chatsworth Stirling Pty Ltd	2,357,150	9.38
4. Mr William Brooks <Brooks Superannuation A/C>	1,628,000	6.48
5. Baracus Pty Ltd	1,400,000	5.57
6. Georgina Fitzroy Dickson	1,145,000	4.56
7. Mr Brett Douglas Dickson	712,150	2.83
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	356,000	1.42
12. Mr Ronald Brown Manners	300,000	1.19
13. Mannwest Pty Ltd	300,000	1.19
14. Epicure Capital Pty Ltd	250,000	0.99
15. Mr Mathew Vernon Hogan	250,000	0.99
16. Terence William Hogan & Evelyn Diane Broadley <Hogan & Broadley A/C>	250,000	0.99
17. State One Stockbroking Ltd	250,000	0.99
18. Paso Holdings Pty Ltd	210,000	0.84
19. Australian Cancer Technology Limited	200,000	0.80
20. Beach Corporation Pty Ltd	200,000	0.80
	<u>16,578,000</u>	<u>65.95</u>

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) 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
1,969,920	Fully Paid Ordinary Shares	Until 28 May 2003
2,000,000	Fully Paid Ordinary Shares	Until 29 August 2003
4,000,000	Options Exercisable at \$0.20	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.