

2004

two thousand and four annual report

ABN 60 100 072 624



annualreport

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

Telephone: (08) 9322 7644
Facsimile: (08) 9322 9956

For shareholder information contact:

SHARE REGISTRY:

Computershare Registry Services Pty Ltd
Level 2, Reserve Bank Building
45 St George's 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:
25,144,000 Fully paid ordinary shares
12,400,001 25 cent, 31 December 2005 options
4,000,000 20 cent, 30 June 2007 options

For information on your company contact:

PRINCIPAL & REGISTERED OFFICE:

Ground Floor
1 Havelock Street
West Perth WA 6005

Telephone: (08) 9485 2929
Facsimile: (08) 9486 4933
Web: www.vulcanresources.com.au
Email: admin@vulcanresources.com.au



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CHAIRMAN'S REVIEW

DEAR FELLOW SHAREHOLDER,

The last year has been an interesting and challenging one for your company. In the 2003 Annual Report I noted that the Company was focused on due diligence on the Saulyak Gold deposit in the Republic of Ukraine. The share market reacted positively to the prospect of the acquisition of Saulyak, however our drilling campaign and metallurgical testwork was unable to replicate the results reported in Soviet days. The average drill intercept reported in previous work was not obtained in any of the five diamond drill holes completed and Vulcan was also unable to replicate the excellent gravity gold recovery previously reported.

Vulcan's view was that the Saulyak deposit did not have world class potential and would require treatment via cyanide, a difficult proposition in that part of the world. Consequently, we took the view that the purchase price and risk-reward profile was not attractive and did not proceed with the acquisition.

Whilst we appreciate and share shareholder disappointment in the subsequent retreat in the share price, the purpose of technical due diligence is to manage risk and a decision not to proceed with a project is not uncommon, but in a small company such as Vulcan its significance can be greater.

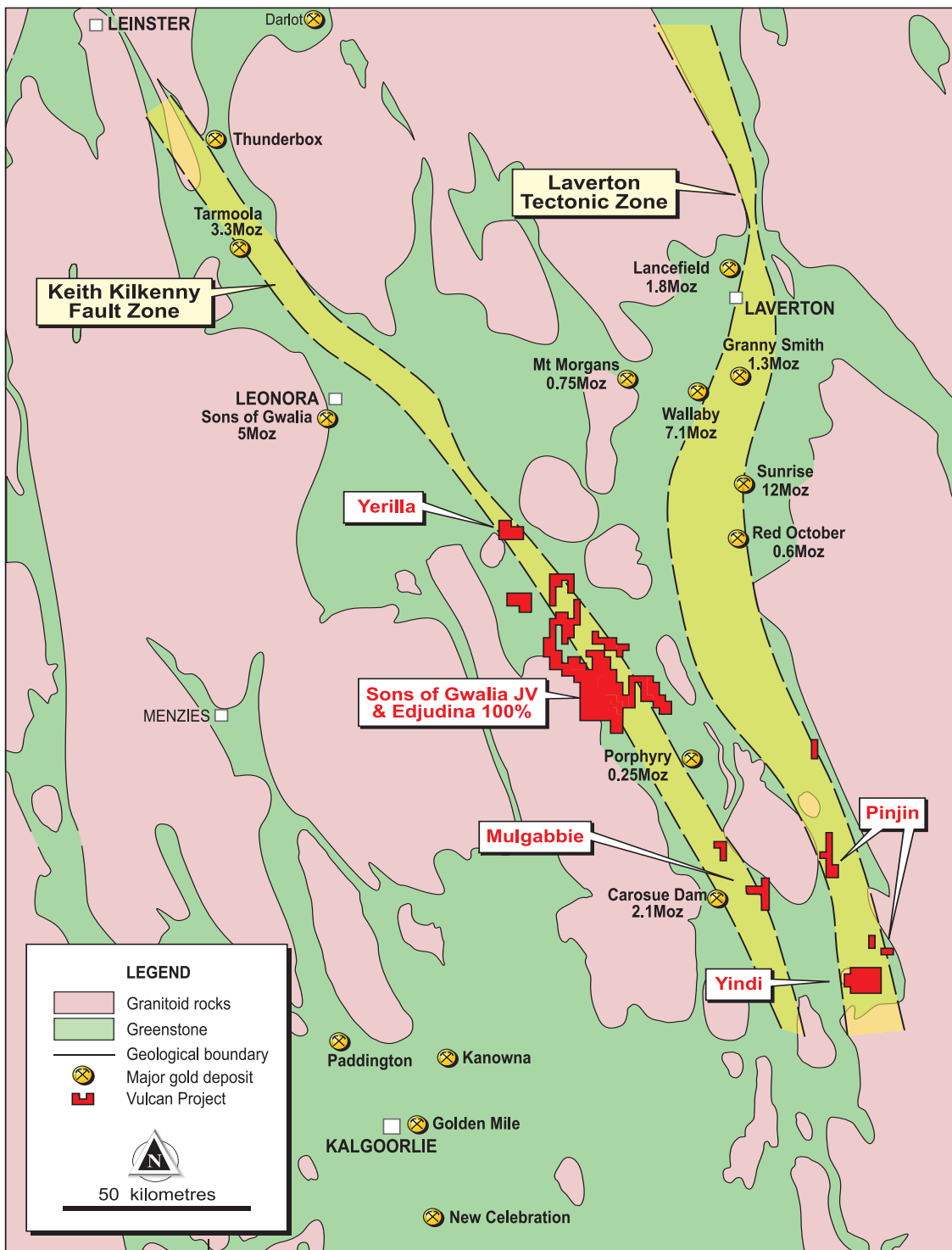
Subsequent to our withdrawal from Saulyak late in 2003, the Company continued an aggressive search for new projects in Australia and overseas, reviewing on average five projects per month. Two projects were subject to detailed due diligence, one in Canada where Vulcan was outbid and one in Fiji where field checking failed to encourage further work.

Your company is strong, having a tight capital structure and a board with a depth of experience and a record of success. We are selective in our opportunity search and believe that the fundamentals of good people, a good shareholder base and the right capital structure will allow the Company to grow shareholder wealth once the right project has been acquired.



Alistair Cowden
Chairman

AUSTRALIAN PROJECTS



VULCAN PROJECTS IN RELATION TO MAJOR STRUCTURES AND GOLD MINES



AUSTRALIAN PROJECTS

The Company has a large tenure of gold exploration projects in Western Australia. These projects are all at an early stage of exploration and are mostly situated along the Keith-Kilkenny lineament north west of Kalgoorlie. Vulcan has taken the approach of minimising expenditure on early stage Australian exploration projects through farm out and focusing expenditure on evaluation of more advanced projects. A summary of these projects is given below:

Mulgabbie (100%)

Mulgabbie is located 110km north east of Kalgoorlie and 6km east of Sons of Gwalia's Carosue Dam gold mining operation. Extensive soil anomalism in the area had been partly tested by previous explorers and in an initial drill program by Vulcan. No significant results were obtained. During the year, Vulcan conducted a review of project geology, infill soil sampling and further RAB drilling. No anomalous results were obtained, but the source of the widespread soil anomalism has yet to be fully explained.

Yerilla Joint Venture (Sons of Gwalia earning 75%)

The Keith-Kilkenny fault zone is a 500km long north to north west 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. Due to extensive transported cover, traditional gold exploration methods have been ineffective or have been discouraged.

The Company has a Joint Venture Agreement with Sons of Gwalia Ltd over 247km² of this area. 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.

Sons of Gwalia have completed compilation of historic data, synthesis of historic data and geological models, regolith mapping and acquisition and interpretation of available geophysical data. A limited program of auger soil sampling has been completed and preliminary drill targets identified. Vulcan awaits clarification of the future of this Joint Venture given Sons of Gwalia's decision to place itself into administration.

Edjudina (100%)

Vulcan holds a number of tenements in its own right in the Edjudina area, the majority of which were excised from the Yerilla Joint Venture. These tenements cover a poorly-exposed and under-explored portion of the same structural corridor that hosts the historic Porphyry mine and Jackson Gold's plus 200,000oz Wallbrook project. Sons of Gwalia defined a 1km by 1.7km auger soil anomaly with a peak value of 45ppb gold within these tenements that remains to be drill tested.

Vulcan is seeking a new Joint Venture partner for these tenements.

Pinjin

Vulcan holds three exploration licence applications and one granted exploration licence. These tenements have received only cursory historical exploration. Vulcan is seeking a Joint Venture partner.

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 2004.

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

(appointed Executive Chairman 28/3/02)

B.Sc. (Hons), Ph.D, 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 six successful ASX listed companies including Vulcan Resources Limited, Rox Resources Limited, Australis Aquaculture Limited, 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 Rox Resources Limited and Australis Aquaculture Limited.

Mr Brett Dickson

(appointed Executive Finance Director and Company Secretary 28/3/02)

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.

DIRECTORS' REPORT

Mr Michael Blakiston
(appointed Non-Executive Director 28/3/02)
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 Platinum Australia Ltd, Colltech Australia Limited, Rox Resources Limited, Tony Barlow Australia Ltd, Australian Development Capital 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	(5.9)
Diluted loss per share	(5.9)

PRINCIPAL ACTIVITIES

The principal activities of the Company during the year were mineral exploration and new project opportunity review.

RESULT FROM OPERATIONS

During the year the Company recorded an operating loss of \$1,492,527 (2003 a loss of \$379,019 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 2004.



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

There was no significant change in the state of affairs of the Company that occurred during the financial year under review.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Since the end of the financial year no 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.

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 year 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 2004 there were six meetings of directors which were attended by all the directors other than Dr Cowden whom attended five.

DIRECTORS' REPORT

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.

Director	Base Salary \$		Superannuation \$		Other Cash Benefits \$		Options		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
M Blakiston ¹	—	—	—	—	—	—	—	—	—	—
A Cowden ³	99,000	49,500	9,000	4,500	—	33,000	—	—	108,000	87,000
B Dickson ²	—	—	—	—	78,000	62,833	—	—	78,000	62,833
TOTAL	99,000	49,500	9,000	4,500	78,000	95,833	—	—	186,000	149,833

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 \$24,000 (2003: \$19,333) for corporate advice. In addition Blakiston Et Crabb, an entity of which Mr Blakiston is a partner, received fees totalling \$57,485 (2003: \$12,536) for legal advice.
2. 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 \$78,000 (2003: \$62,833) for the provision of services.
3. Drumfrochar Pty Ltd, a company in which Dr Cowden is a director and shareholder, did not receive any fees during this financial year (2003: \$33,000).

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

There were no other executive officers during the financial year.

EMPLOYEES

The Company had three employees at 30 June 2004 (2003: three).

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.



DIRECTORS' REPORT

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 and at the reporting date there were 16,400,001 unissued shares under options. Refer to note 16 of the financial statements for further details on options outstanding.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate or in the interest issue of any other registered scheme.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Vulcan Resources Limited support the principals of 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 directors



ALISTAIR COWDEN

Chairman

Perth, 28 September 2004

CORPORATE GOVERNANCE

INTRODUCTION

Vulcan Resources Limited ACN 100 072 624 ("Company") has adopted systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised below.

The following additional information about the Company's corporate governance practices is set out on the Company's website at www.vulcanresources.com.au:

- Corporate governance disclosures and explanations;
- Statement of Board and Management Functions;
- Nomination Committee Charter;
- Policy and procedure for selection and appointment of new directors;
- Summary of code of conduct for directors and key executives;
- Summary of policy on securities trading;
- Audit Committee Charter;
- Policy and procedure for selection of external auditor and rotation of audit engagement partners;
- Summary of policy and procedure for compliance with continuous disclosure requirements;
- Summary of arrangements regarding communication with and participation of shareholders;
- Summary of Company's risk management policy and internal compliance and control system;
- Process for performance evaluation of the Board, Board committees, individual directors and key executives;
- Remuneration Committee Charter; and
- Corporate Code of Conduct.

EXPLANATIONS FOR DEPARTURES FROM BEST PRACTICE RECOMMENDATIONS

During the Reporting Period the Company has complied with each of the Ten Essential Corporate Governance Principles and the corresponding Best Practice Recommendations as published by the ASX Corporate Governance Council ("ASX Principles and Recommendations"), other than in relation to the matters specified below.

CORPORATE GOVERNANCE

Principle Ref	Recommendation Ref	Notification of Departure	Explanation for Departure
1	1.1A	Formalisation of the functions reserved to the Board and those delegated to management occurred on 5 August 2004 and disclosure of these functions occurred on 20 August 2004.	As from 20 August 2004 the Company achieved compliance. Prior to this time the functions were delegated as now disclosed but without formalisation and disclosure.
2	2.1	No director of the Board is independent in accordance with the test in box 2.1 ("Independence Test") of the best practice recommendations as published by the ASX Corporate Governance Council.	The existing structure is considered appropriate given the early stage of development of the Company and the fact that the Company's projects are at an early exploration stage.
	2.2	The Chairman does not satisfy the Independence Test due to the fact that he acts in an executive capacity.	The existing structure is considered appropriate given the early stage of development of the Company and the fact the Company's projects are at an early exploration stage.
	2.4	A separate nomination committee has not been formed.	Given the Board comprises three members it was decided that no efficiencies would be achieved by establishing a separate nomination committee. The whole Board carries out the duties which would otherwise be undertaken by the nomination committee and each member excludes him or herself from matters in which he has a material person interest and otherwise ensures compliance with all aspects of the Corporations Act in relation to related party transactions.
3	3.1	A Code of Conduct was formalised and adopted by the Company on 5 August 2004	Prior to 5 August 2004 the Board considers that its business practices, as led by the example of Board and key executives, were the equivalent of a code of conduct. These practices are now reflected in the Code of Conduct adopted by the Company on 5 August 2004.
	3.2	The Company adopted a written securities trading policy on 5 August 2004.	Although prior to 5 August 2004 there was no written policy, there was an understanding as to when it was appropriate for trading in securities to occur. This understanding has been formulated into the Company's written securities trading policy.
4	4.2	A separate audit committee has not been formed.	The whole Board carries out the duties of the audit committee. In so acting, the whole Board follows the Audit Committee Charter disclosed on the Company's website.
	4.3	The full Board carries out the functions of an audit committee which is not in compliance with the criteria specified in the best practice recommendation 4.3.	Based on the size of the Board and the fact that the Company is in its early stages as an exploration company, the Board does not consider that the Company will gain any benefit from a separate audit committee.

CORPORATE GOVERNANCE

Principle Ref	Recommendation Ref	Notification of Departure	Explanation for Departure
	4.4	The Company adopted a formal Audit Committee Charter on 5 August 2004.	Prior to 5 August 2004 all the Board members considered audit issues to ensure compliance with statutory responsibilities relating to accounting policy disclosure.
5	5.1	Until 5 August 2004 there were no written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and accountability for that compliance.	Informal procedures were in place prior to 5 August 2004. These have been formulated into the written policies and procedures which were adopted on 5 August 2004.
6	6.1	The Company's shareholder communication strategy was designed in a formal way on 5 August 2004 and disclosed on 20 August 2004.	The Company has a positive strategy to communicate with shareholders, identify the expectations of shareholders and actively promote shareholder involvement in the Company. These strategies have now been documented and were disclosed on 20 August 2004.
7	7.1	The Company did not have a formal risk oversight and management policy and internal compliance and control system during the reporting period.	The Company has developed a framework for risk management which covers financial, operational and organisational risks. This framework was adopted by the Board on 5 August 2004. The Company intends to develop this framework into a detailed policy as its operations continue to grow.
8	8.1	The process for evaluation of the Board, individual directors and key executives was not disclosed during the reporting period.	The process was not disclosed but did occur by way of an informal review by the Chairman.
9	9.1	The Company's remuneration policy was not disclosed during the reporting period.	Although the policy was not disclosed, it did exist and was applied during the reporting period.
	9.2	A separate remuneration committee has not been formed.	The full Board considers those matters that would usually fall to a remuneration committee. The Board members decided that no efficiencies would be achieved by establishing a separate remuneration committee. All matters of remuneration were determined by the Board in accordance with Corporations Act requirements, especially in respect of related party transactions. No director participated in any deliberation regarding his own remuneration or related issues.
10	10.1	A code of conduct was adopted on 5 August 2004.	Although until 5 August 2004 there was no code of conduct documented or disclosed, the Board considered its business practices, as led by the example of the Board and key executives, were the equivalent of a code of conduct. The Company has now documented these practices and principles into a written code of conduct.



CORPORATE GOVERNANCE

SKILLS, EXPERIENCE, EXPERTISE AND TERM OF OFFICE OF EACH DIRECTOR

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

IDENTIFICATION OF INDEPENDENT DIRECTORS

There are no independent directors of the Company.

STATEMENT CONCERNING AVAILABILITY OF INDEPENDENT PROFESSIONAL ADVICE

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

NAMES OF NOMINATION COMMITTEE MEMBERS AND THEIR ATTENDANCE AT COMMITTEE MEETINGS

The full Board carries out the functions of a nomination committee in accordance with the Nomination Committee Charter. Relevant issues were dealt with at the regular board meetings on an as required basis.

NAMES AND QUALIFICATIONS OF AUDIT COMMITTEE MEMBERS

The full Board carries out the functions of an audit committee in accordance with the Audit Committee Charter.

The relevant financial expertise and industry experience of each of the Board members is set out in the Directors' Report.

NUMBER OF AUDIT COMMITTEE MEETINGS AND NAMES OF ATTENDEES

During the reporting period the full Board conducted an informal review of the Company's accounts on 4 March 2004.

CONFIRMATION WHETHER PERFORMANCE EVALUATION OF THE BOARD AND ITS MEMBERS HAVE TAKEN PLACE AND HOW CONDUCTED

During the reporting period an evaluation of the Board and its members was carried out. The evaluation process comprised of a review of all directors on an annual basis by the Chairman. Directors whose performance is unsatisfactory are asked to retire.

COMPANY'S REMUNERATION POLICIES

The Company has separate remuneration policies for executive and non-executive directors. Non-executive directors will receive a fixed fee for their services to the Company. Non-executive director's fees not exceeding an aggregate of \$150,000 per annum have been approved by the Company in general meeting.

Executive directors receive a salary for their services to the Company. There is no direct link between remuneration paid to any of the directors and corporate performance such as bonus payments for achievements of certain key performance indicators.

NAMES OF REMUNERATION COMMITTEE MEMBERS AND THEIR ATTENDANCE AT COMMITTEE MEETINGS

The full Board carries out the functions of a remuneration committee in accordance with the Remuneration Committee Charter. During the reporting period, the full Board considered matters of remuneration on 16 September 2003.

EXISTENCE AND TERMS OF ANY SCHEMES FOR RETIREMENT BENEFITS FOR NON-EXECUTIVE DIRECTORS

The Company does not have any terms or schemes relating to retirement benefits for non-executive directors.

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2004

	Notes	2004 (\$)	2003 (\$)
Revenues from ordinary activities	2	235,339	104,195
Depreciation	3	(6,150)	(1,729)
Other expenses from ordinary activities	3	(1,721,716)	(481,485)
Loss from ordinary activities before income tax expense		(1,492,527)	(379,019)
Income tax expense relating to ordinary activities	4	-	-
Net loss attributable to members of Vulcan Resources Limited		(1,492,527)	(379,019)
Total changes in equity other than those resulting from transactions with owners as owners attributable to members of Vulcan Resources Limited		(1,492,527)	(379,019)
Basic loss per share (cents per share)	7	(5.9)	(1.7)
Diluted loss per share (cents per share)	7	(5.9)	(1.7)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2004

	Notes	2004 (\$)	2003 (\$)
Current Assets			
Cash assets	9	788,735	2,241,347
Receivables	10	26,808	6,723
Other	11	1,186	1,156
Total Current Assets		816,729	2,249,226
Non-Current Assets			
Plant and equipment	12	36,612	6,318
Deferred exploration costs	13	859,426	874,414
Total Non-Current Assets		896,038	880,732
TOTAL ASSETS		1,712,767	3,129,958
Current Liabilities			
Payables	14	105,382	40,941
Provisions	15	8,395	-
Total Current Liabilities		113,777	40,941
TOTAL LIABILITIES		113,777	40,941
NET ASSETS		1,598,990	3,089,017
EQUITY			
Contributed equity	16	3,479,266	3,476,766
Accumulated losses	17	(1,880,276)	(387,749)
TOTAL EQUITY		1,598,990	3,089,017

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2004

	Notes	2004 (\$)	2003 (\$)
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		154,500	-
Payments to suppliers and employees		(598,242)	(340,973)
Interest received		61,339	99,195
Expenditure on mineral interests		(1,036,265)	(245,429)
Net cash used in operating activities	8	(1,418,668)	(487,207)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equipment		(36,444)	(8,047)
Sale of mineral tenements		-	5,000
Purchase of mineral tenements		-	(220,050)
Net cash used in investing activities		(36,444)	(223,097)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		2,500	2,986,000
Prospectus expenses		-	(156,211)
Net cash provided by financing activities		2,500	2,829,789
Net increase in cash held		(1,452,612)	2,119,485
Cash at beginning of period		2,241,347	121,862
Cash at end of period	9	788,735	2,241,347

The accompanying notes form part of these financial statements.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

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, which has been prepared in accordance with the requirements of the Corporations Act 2001 including applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

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:

Rental Income

Revenue from rental income is recognised in the period in which the service is provided.

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:

Plant and equipment 6–30%

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

The value of the equity-based compensation scheme described in Note 25 is not being recognised as an employee benefits expense.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

(k) Income Tax

Tax effect accounting has been adopted using the liability method. 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 realised;
- 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Comparatives

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

(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; and
- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares adjusted for any bonus element.

	2004 (\$)	2003 (\$)
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NOTE 2 REVENUE FROM ORDINARY ACTIVITIES

Revenues from non-operating activities

Interest received	61,339	99,195
Rental income	174,000	–
Proceeds from sale of mineral tenements	–	5,000
	235,339	104,195

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

	2004 (\$)	2003 (\$)
NOTE 3 EXPENSES AND LOSSES/(GAINS)		
(a) Expenses		
Expenses from ordinary activities		
Depreciation	6,150	1,729
Other expenses from ordinary activities		
Corporate expenses	158,669	78,455
Occupancy and related expenses	56,947	90,597
Operating lease rental	107,858	-
Sub-lease expenses	-	14,688
Staff expenses	282,275	172,902
Exploration provided for	2,663	59,223
Exploration expenditure previously capitalised written off	99,476	-
Exploration expenditure expensed during the period	1,013,828	55,784
Cost of tenement sold	-	9,836
Total other expenses from ordinary activities	<u>1,721,716</u>	<u>481,485</u>
(b) Losses / (gains)		
Net Loss on disposal of tenement	-	4,836

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	<u>1,492,527</u>	<u>379,019</u>
Prima facie tax benefit on profit (loss) from ordinary activities before income tax at 30%	447,758	113,706
Non-deductible expenditure	(338,808)	(34,502)
Tax losses not brought to account as future income tax benefit	<u>(108,950)</u>	<u>(79,204)</u>
Income tax expense attributable to loss from ordinary activities before income tax expense	<u>-</u>	<u>-</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

NOTE 4 INCOME TAX EXPENSE (CONT'D)

Unbooked Future Income Tax Benefits

The Company has accumulated tax losses of \$1,834,891 (2003: \$1,286,185).

The potential future income tax benefit of these losses (\$550,467) 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 DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of Specified Directors and Specified Executives

(i) Specified directors

Alistair Cowden – Chairman (executive)
 Michael Blakiston – Director (non-executive)
 Brett Dickson – Finance Director (executive)

(ii) Specified executives

There were no specified executives during the financial year.

(b) Remuneration

Director	Base Salary		Superannuation		Other Cash Benefits		Options		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
M Blakiston ¹	–	–	–	–	–	–	–	–	–	–
A Cowden ³	99,000	49,500	9,000	4,500	–	33,000	–	–	108,000	87,000
B Dickson ²	–	–	–	–	78,000	62,833	–	–	78,000	62,833
TOTAL	99,000	49,500	9,000	4,500	78,000	95,833	–	–	186,000	149,833

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 \$24,000 (2003: \$19,333) for corporate advice. In addition Blakiston & Crabb, an entity of which Mr Blakiston is a partner, received fees totalling \$57,485 (2003: \$12,536) for legal advice.
2. 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 \$78,000 (2003: \$62,833) for the provision of services.
3. Drumfrochar Pty Ltd, a company in which Dr Cowden is a director and shareholder, did not receive any fees during this financial year (2003: \$33,000).

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

NOTE 5 DIRECTOR AND EXECUTIVE DISCLOSURES (CONT'D)

(c) Share and Option Holdings of Specified Directors

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

	Ordinary Shares Fully Paid		Options Over Ordinary Shares	
	2004	2003	2004	2003
A Cowden	2,985,700	2,985,700	3,208,550	3,208,550
M Blakiston	2,429,150	2,429,150	2,356,575	2,356,575
B Dickson	1,857,150	1,857,150	2,070,575	2,070,575

No options or shares were granted as remuneration during the year. All equity transactions with specified directors have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

NOTE 6 AUDITORS' REMUNERATION

Amounts received or due and receivable by Ernst & Young Australia

	2004 (\$)	2003 (\$)
An audit or review of the financial report of the Company	10,450	8,100
Other services in relation to the Company		
- tax compliance	8,635	2,730
- experts report	32,450	-
	51,535	10,830
Services provided by Ernst & Young Ukraine	13,573	-
	65,108	10,830

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	(1,492,527)	(379,019)
Adjustments:		
Nil	-	-
Earnings used in calculating basic and diluted earnings per share	(1,492,527)	(379,019)
Weighted average number of ordinary shares used in calculating basic earnings per share	25,140,356	22,449,003
Effective of dilutive securities:		
Share options (i)	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	25,140,356	22,449,003

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

NOTE 7 LOSS PER SHARE (CONT'D)

- (i) The Company has 16,400,001 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 2004

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.

	2004 (\$)	2003 (\$)
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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	1,492,527	379,019
Adjustments for non-cash income and expense items		
Depreciation	(6,150)	(1,729)
Loss on disposal of tenements	-	(4,836)
Exploration expenditure written off	(102,138)	(59,223)
Provision for employee benefits	(8,395)	-
Changes in Assets and Liabilities		
Increase in prepayments	30	1,156
Increase in receivables	17,369	6,724
Increase in capitalised exploration	95,423	189,699
Increase in payables	(69,998)	(23,603)
Cash Out Flow from Operations	1,418,668	487,207

- (b) During the period there were no 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 ASSETS

Cash assets	788,735	2,241,347
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NOTE 10 CURRENT RECEIVABLES

Trade Debtors	26,808	6,723
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

NOTE 10 CURRENT RECEIVABLES (CONT'D)

Terms and Conditions

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

	Notes	2004 (\$)	2003 (\$)
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NOTE 11 OTHER CURRENT ASSETS

Prepayments		1,186	1,156
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NOTE 12 PLANT AND EQUIPMENT

Equipment at cost		44,491	8,047
Accumulated depreciation		(7,879)	(1,729)
	12(a)	36,612	6,318

(a) Movements in Plant and Equipment

Carrying amount at beginning		6,318	-
Additions		36,444	8,047
Depreciation		(6,150)	(1,729)
Closing Balance		36,612	6,318

NOTE 13 DEFERRED EXPLORATION COSTS

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

Areas in exploration and evaluation at cost

Balance at beginning of the year		874,414	25,000
Acquired during the year		-	720,050
Expenditure for the year		87,151	198,423
Amounts provided for during the year		(2,663)	(59,223)
Carrying value of tenements relinquished during the year		(99,476)	(9,836)
Balance at the end of the year		859,426	874,414

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

	Notes	2004 (\$)	2003 (\$)
NOTE 14 CURRENT PAYABLES			
Trade creditors		105,382	40,941
Aggregate amounts payable to related parties:			
Directors and director – related entities			
– Directors	23	244	796
– Director related entities	23	12,045	10,792
		12,289	11,588

Terms and Conditions

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

NOTE 15 PROVISIONS

Employee benefits		8,395	-
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NOTE 16 CONTRIBUTED EQUITY

Ordinary shares at beginning of period 25,134,000 (2003: 11,190,000)		3,476,766	221,400
Conversion of 10,000 options at 25 cents each		2,500	-
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: 25,144,000 (2003: 25,134,000) ordinary shares		3,479,266	3,476,766

(a) Share Options

During the year 50,000 unlisted options over ordinary shares were issued to an employee of the Company, as a performance incentive, on the same terms and conditions as the Company's options listed on Australian Stock Exchange. These options are exercisable at 25 cents per share on or before 31 December 2005. During the year 10,000 listed options were exercised.

At the end of the year there were 16,400,001 (2003: 16,410,001) 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

	2004 (\$)	2003 (\$)
NOTE 17 ACCUMULATED LOSSES		
Balance at beginning of period	(387,749)	(8,730)
Net loss attributable to members of Vulcan Resources Limited	(1,492,527)	(379,019)
Balance at end of year	(1,880,276)	(387,749)

NOTE 18 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.

Payable within 1 year	45,378	60,624
Later than 1 year and not later than 5 years	-	45,378
	45,378	106,002

NOTE 19 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 that are the subject of the Joint Venture. At 30 June 2004 approximately \$522,693 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

NOTE 19 JOINT VENTURE (CONT'D)

Zeendam 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 were included in the Company's Yerilla Joint Venture with Sons of Gwalia. The Joint Venture Agreement with Zeendam Enterprises was terminated in July 2004 following the excision of the tenement from the Yerilla Joint Venture.

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. At June 2004 approximately \$253,329 had been expended towards this commitment. On 29 August 2004 Administrators to the Sons of Gwalia group of companies were appointed pursuant to Section 436A of the Corporations Act 2001. At the date of this report the effect of this appointment on the Yerilla Joint Venture is unknown.

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

	2004 (\$)	2003 (\$)
Capitalised exploration		
Rogers Joint Venture	-	-
Zeendam Joint Venture	6,538	6,367
Yerilla Joint Venture * (Note (a))	416,864	413,945

(a) Includes \$23,694 (2003: \$23,514) capitalised towards the Edjudina Avoca Joint Venture.

NOTE 20 SEGMENTS

The Company operates only in one business, being the exploration for gold. Geographically, as at 30 June 2004, all the Company's activities were conducted in Western Australia.

NOTE 21 CONTINGENT LIABILITIES

Saulyak LLC

The Company has provided \$52,000 as an amount outstanding on its obligations to Saulyak LLC in regard to due diligence expenditure incurred in the Ukraine by Saulyak LLC on Vulcan's behalf. Saulyak LLC purports that the amount outstanding is approximately \$236,000. The Company strongly disagrees with this claim by Saulyak LLC.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

NOTE 22 EVENTS SUBSEQUENT TO REPORTING DATE

Since the end of the financial year no 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.

NOTE 23 RELATED PARTY TRANSACTIONS

During the financial year rental income of \$18,000 was received from Rox Resources Limited, a company of which Alistair Cowden and Michael Blakiston are directors.

During the financial year rental income of \$78,000 (2003: nil) was received from Australian Cancer Technology Limited, a company of which Brett Dickson and Alistair Cowden were directors.

During the financial year rental income of \$78,000 (2003: nil) was charged to Deep Yellow Limited, a company of which Brett Dickson and Alistair Cowden were directors. At Balance Date \$19,500 (2003: nil) remains outstanding forming part of trade debtors.

NOTE 24 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:

2004	Floating Interest Rate	Non Interest Bearing	Total	Weighted Average Interest Rate
Financial Assets				
Cash	739,140	49,595	788,735	4.7%
Trade Debtors	–	26,808	26,808	N/A
Total Financial Assets	739,140	76,403	815,843	
Financial Liabilities				
Payables	–	105,382	105,382	N/A
Total Financial Liabilities	–	105,382	105,382	
2003	Floating Interest Rate	Non Interest Bearing	Total	Weighted Average Interest Rate
Financial Assets				
Cash	2,237,801	3,546	2,241,347	4.4%
Trade Debtors	–	6,723	6,723	N/A
Total Financial Assets	2,237,801	10,269	2,248,070	
Financial Liabilities				
Payables	–	40,941	40,941	N/A
Total Financial Liabilities	–	40,941	40,941	

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

NOTE 24 FINANCIAL INSTRUMENTS DISCLOSURE (CONT'D)

(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.

2004	2003
(\$)	(\$)

NOTE 25 EMPLOYEE BENEFITS

Employee Benefits

The aggregate employee benefit liability is comprised of provisions (current)	8,395	-
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Employee Share Incentive Scheme

An Employee Share Scheme has been established where Vulcan Resources Limited may, at the discretion of management, grant options over the ordinary shares of Vulcan Resources Limited to directors, executives and employees of the Company. The options, issued for nil consideration, are granted in accordance with performance guidelines established by the directors. No options have been issued pursuant to the scheme.

Superannuation Commitments

The Company contributes various percentages of the employee's income, but not less than that required under statutory regulations, to employee nominated complying superannuation funds. Employees may contribute amounts either as fixed dollar amounts or as a percentage of income. At years end, all amounts due had been contributed to the employee nominated superannuation fund.

NOTE 26 IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS

The Company has allocated internal resources to conduct impact assessments to isolate key areas that will be impacted by the transition to IFRS. As a result of this assessment priority has been given to considering the preparation of an opening balance sheet in accordance with AASB equivalents to IFRS as at 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when the Company prepares its first fully IFRS compliant financial report for the year ended 30 June 2006.

Set out below are the key areas where accounting policies will change and may have an impact on the financial report of Vulcan Resources Limited. At this stage the Company has not been able to reliably quantify the impacts on the financial report.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

NOTE 26 IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS (CONT'D)

Impairment of Assets

Under the AASB 136 *Impairment of Assets* the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the group's current accounting policy which determines the recoverable amount of an asset on the basis of on discounted cash flows. Under the new policy it is likely that impairment of assets will be recognised sooner and that the amount of write-downs will be greater. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

Share Based Payments

Under AASB 2 *Share Based Payments*, the Company will be required to determine the fair value of options issued to employees as remuneration and recognise an expense in the Statement of Financial Performance. This standard is not limited to options and also extends to other forms of equity based remuneration. It applies to all share-based payments issued after 7 November 2002 which have not vested as at 1 January 2005. Reliable estimation of the future financial effects of this change in accounting policy is impracticable as the details of future equity based remuneration plans are unknown.

Income Taxes

Under the AASB 112 *Income Taxes*, the Company will be required to use a balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognised in either the Statement of Financial Position or a tax-based balance sheet. It is not expected that there will be any material impact as a result of adoption of this standard.

Exploration

No specific IFRS guidance currently exists for the treatment of exploration expenditure. An exposure draft, ED6, has been drafted which proposes that the treatment previously used under Australian GAAP may continue to be used subject to impairment testing. If it was determined that the asset was impaired it would be immediately written off to the statement of financial performance.

DIRECTOR'S DECLARATION

In accordance with a resolution of the Directors of Vulcan Resources Limited, I state that:

1. In the opinion of the Directors:

(a) The financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2004 and its performance for the year ended on that date; and

(ii) complying with Accounting Standards and Corporations Regulations; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Alistair Cowden

Perth, 28 September 2004

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 2004.

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 2004 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
Date: 28 September 2004

SCHEDULE OF MINING TENEMENTS

Project	Tenement	Interest
MULGABBIE	E28/989	100%
EDJUDINA AVOCA Joint Venture	E31/465	Earning 80%*
	E31/479	Earning 80%*
	E31/524	Earning 80%*
	ELA31/618	Earning 80%*
	E39/795	Earning 80%
EDJUDINA	E31/444	100%
	E31/473	100%
	E31/474	100%
	E31/560	100%
	ELA39/844	100%*
	E31/503	100%
	E31/504	100%
	E31/523	100%
	ELA39/884	100%*
	ELA31/536	Earning 70%
	ELA39/850	100%
YERILLA	E31/511	100%
	E39/801	100%*
PINJIN	ELA28/1083	100%
	ELA28/1142	100%
	E31/562	100%
YINDI	ELA28/932	100%
BLACK HILL	E57/422	\$5/oz royalty
	E57/424	\$5/oz royalty

Key to Tenement Schedule

P – Prospecting Licence

E – Exploration Licence

ELA – Exploration Licence Application

MLA – Mining Lease 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 2004.

1. Shareholding

(a) Distribution of Shareholders Number

Category (size of Holding)	Fully Paid Shares	Options
1 – 1,000	3	–
1,001 – 5,000	41	105
5,001 – 10,000	119	42
10,001 – 100,000	176	56
100,001 and over	28	20
	<u>367</u>	<u>223</u>

(b) The number of fully paid shareholdings held in less than marketable parcel is 32.

(c) There were no substantial shareholders listed in the Company's register as at 31 August 2004.

(d) Top 20 shareholders

Name	Number of Shares	% of Issued Share Capital
1. Drumfrochar Pty Ltd	2,969,700	11.82
2. Chatsworth Stirling Pty Ltd	2,757,150	10.97
3. Croesus Mining NL	2,744,000	10.92
4. Georgina Fitzroy Dickson	1,136,800	4.52
5. Mr William Brooks <Brooks Superannuation A/C>	1,000,000	3.98
6. Mr Arthur Carbo	1,000,000	3.98
7. Mr Brett Douglas Dickson	695,350	2.77
8. Baracus Pty Ltd	693,000	2.77
9. Boldbow Pty Ltd	521,054	2.07
10. Lippo Securities Nominees (BVI) Ltd	400,000	1.59
11. State One Equities Pty Ltd	397,462	1.58
12. Uniting Properties Pty Ltd	301,000	1.20
13. Mannwest Group Pty Ltd	300,000	1.19
14. Mr Ronald Brown Manners	300,000	1.19
15. Mr Stuart Young Craig	300,000	1.19
16. State One Stockbroking Ltd	250,000	0.99
17. Mr Jonathon Kingsley Stewart	250,000	0.99
18. Mrs Elaine Thomas	250,000	0.99
19. Mr R M Hollows & Mrs S U Hollows	224,684	0.89
20. Der La Noble Corporation	205,000	0.82
	<u>17,161,224</u>	<u>68.28</u>

There is a total of 25,144,000 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

Name	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. M & K Korkidas Pty Ltd	662,146	5.47
5. Georgina Fitzroy Dickson	572,500	4.73
6. Mr William Paul Brooks	510,000	4.21
7. Alluvial Resources Pty Ltd	440,161	3.64
8. Dukest Property & Investments Pty Ltd	419,446	3.47
9. Mr Brett Douglas Dickson	356,075	2.94
10. Gecko Resources Pty Ltd	300,000	2.48
11. Lippo Securities Nominees (BVI) Ltd	200,000	1.65
12. Mrs Helen Elizabeth Oliver	200,000	1.65
13. Bilboa Nominees Pty Ltd	198,000	1.64
14. Boldbow Pty Ltd	162,240	1.34
15. Mr Ronald Brown Manners	150,000	1.24
16. Mannwest Group 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 John Michael Yurovichlot	125,000	1.03
20. Ms Geraldine Susan Adams	100,000	0.83
	<hr/> 8,996,993	<hr/> 74.39

(f) Restricted Securities

There are no Restricted Securities.

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.



