



Vulcan
Resources Limited

ABN 60 100 072 624



two thousand and five annual report

annualreport

05

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CORPORATE DIRECTORY

Directors:

Dr Alistair Cowden
Executive Chairman

Mr Brett Dickson
Finance Director

Mr Michael Blakiston
Non-Executive Director

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Mr Brett Dickson

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West Perth 6005, Western Australia

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Stock Exchange:

Australian Stock Exchange Limited

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

Issued Capital:

| | |
|------------|-----------------------------------|
| 51,373,000 | Fully paid ordinary shares |
| 16,621,001 | 25 cent, 31 December 2005 options |
| 13,600,000 | 20 cent, 30 June 2007 options |
| 540,000 | 26 cent, 30 June 2007 options |
| 2,500,000 | 20 cent, 30 June 2008 options |
| 2,500,000 | 20 cent, 30 June 2009 options |

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JORC Compliance Statement

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

HIGHLIGHTS

FOCUSSED ON BASE METALS

Vulcan is focussed on developing a base metals business in Finland. It will deliver superior returns to shareholders through development of the Kylylahti copper mine and Kuhmo nickel deposits. The Company has two aims:

COPPER PRODUCTION IN 2008

- Kylylahti copper deposit acquired in December 2004 and further deposits in the Outokumpu mining camp acquired.
- Completed pre-feasibility on a 500,000 tpa underground mine at Kylylahti based on a resource of 7.4 million tonnes at 5.3% copper equivalent.
- Drilling highlights opportunity to further increase Kylylahti resources through infill and extension drilling.
- Full feasibility study commenced.
- Aim for construction to start in 2007.

GROW NICKEL RESOURCES

- Aggressively drill out discoveries at Peura-aho and Hietaharju .
- Evaluate four additional existing nickel sulphide occurrences to select projects for development drilling.
- Delineate and drill test priority geophysical and geochemical targets.

The Company listed on the Australian Stock Exchange (“ASX”) in October 2002 and acquired its Finnish projects from Australian listed Dragon Mining NL’s (“Dragon”) subsidiary company Polar Mining Oy for a consideration of 7.5 million shares and 7.5 million 20 cent options. The projects were part of a package of exploration and development assets divested by major metals company Outokumpu Mining Oy (“Outokumpu”) to Dragon late in 2003. Outokumpu has, over the past five years, been divesting its mining assets to concentrate on stainless steel. Dragon is focussed on gold.

With the acquisition of its projects in Finland, Vulcan has positioned itself as a European focussed base metal development and exploration company with a unique portfolio of an advanced copper project divested from a major, surrounding copper deposits and prospects and a major regional land holding including identified deposits in an emerging new nickel sulphide province.

MAP OF FINLAND



ABOUT FINLAND

Straightforward Mining Legislation

No Sovereign Risk (a competitive European Union first world economy)

Excellent Infrastructure

Mining Culture

Geology similar to Western Australia

Finland is a mining-friendly country within the European Union that offers a favourable investment and operating environment close to major markets and has processing facilities for many minerals. Finland has excellent geological databases, good infrastructure, progressive mining legislation and readily available exploration and mining services.

Finland has been a member of the European Union since 1995. It has an advanced industrial economy based on exports, with the metals, engineering and electronics industries accounting for 50% of export revenues and the forest products industry for another 30%. As a result of this industrial base, infrastructure is well developed over the entire country, even though many areas are only sparsely populated. Finland has 5.2 million inhabitants, but they are spread out over a country that is the seventh-largest in Europe (338,000 km²), giving a population density of only 17 persons/ km². Some two thirds of the population live in urban areas and the other third reside in the countryside.

Finland is a strong democracy with full participation in Europe. It was the only Nordic country to join the 'Euro' system on its initiation in 1999. Inflation is low (1.3% in 2004), corporate tax rate is 29% and GDP is growing at 3.8% p.a.

Finland's road to industrialisation started in the 19th century, with the harnessing of forest resources. Forests are still Finland's most crucial raw material resource, although more recently the engineering and high technology industries, spearheaded by the Nokia Corporation, have been the leading branches of manufacturing. Electronics is the most spectacular success story in Finnish exports, with remarkable growth in the 1990's driven mainly by demand for mobile phones and other telecommunication equipment. As for the country's general prosperity, the net wealth of Finnish households is above the average of the European Union countries.

Finland is situated in northern Europe between latitudes 60° and 70° north. However, the climate is relatively temperate due to the Gulf Stream – there are, for example, no tundra or permafrost areas in Finland. A quarter of its total area lies north of the Arctic Circle. Finland has common borders with Sweden, Norway and Russia and faces Estonia across the Gulf of Finland. Forest covers about 7% of the country's surface area, making Finland the most heavily forested country in Europe, with 23 million hectares of forests. The approximately 190,000 lakes in the country cover almost another 10% of the land area and include some 180,000 islands.

Finland has a long history of mining activity and metals production. Mining commenced in 1540 and since then about 270 metal mines have been in operation, the main commodities being copper, nickel, zinc, cobalt, gold, chromium, iron and vanadium. Mining has provided the raw material base for the country's metal industry, with significant processing and refining of copper and nickel concentrates at Pori and Harjavalta (Boliden AB and OMG Inc), zinc at Kokkola (Boliden AB and OMG Inc), stainless

ABOUT FINLAND

steel at Tornio (Outokumpu) and iron at Raahe (Tautaruukki Oyj). The major industrial minerals mined in Finland are carbonates, apatite and talc. Significant processing plants also exist for phosphorus fertilisers, titanium pigments, coating carbonates and talc. Finnish metallurgical technology and manufacturers of mining equipment (Larox, Metso, Normet, Outokumpu, Sandvik and Tamrock) are well known throughout the international mining community.

Prior to becoming part of the European Union in 1995, foreign companies were prohibited from holding mineral rights in Finland and mineral exploration and mining was largely dominated by the State controlled Outokumpu company. Finland has therefore missed much of the competitive landscape of the mineral industry and the increased exploration activity that emerged in the mid 1980's.

Outokumpu's withdrawal from mining and the entry of Finland into the European Union has opened the country to all. The competitive landscape in Finland is now changing rapidly with numerous international companies active; Inco, BHP Billiton, Anglo American and Goldfields. The number of junior Canadian, Australian and British companies is also increasing.



KYLYLAHTI COPPER PROJECT

A growing copper project with a resource inventory of 7.4 million tonnes 5.3% copper equivalent.

Significant opportunity to increase the resources around existing drill intercepts and at depth.

Conventional decline mine and concentrator. Major concentrate customers within 400 km of mine.

Located adjacent to infrastructure, existing mines and an experienced workforce.

Granted mining tenure with environmental approval process commenced and project development planned to commence early 2007.

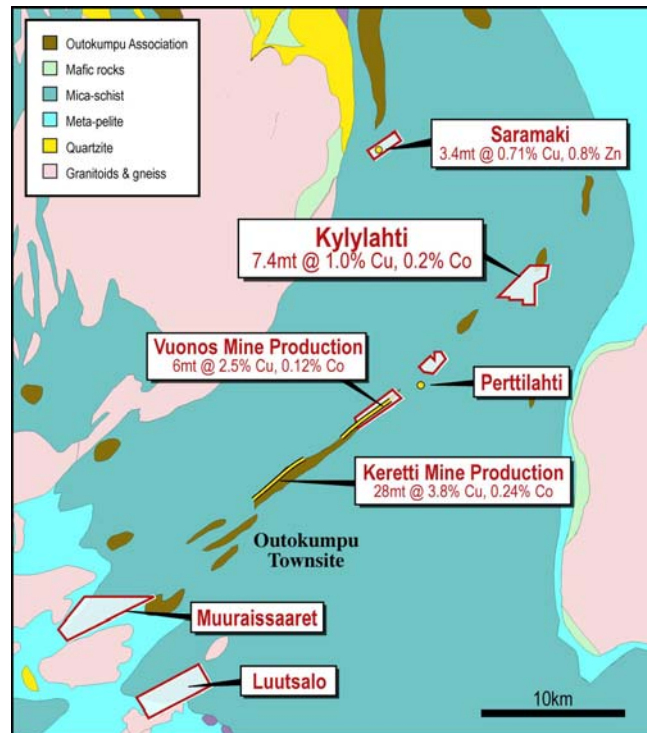
Approximately US\$5 million of historic expenditure by Outokumpu.

Pipeline of existing copper resources and additional targets in region.

Introduction

The Kylylahti copper-cobalt-nickel-gold deposit has a Resource of 7.4 million tonnes grading 1.0% copper and 0.2% cobalt, or 5.3% copper equivalent. The deposit lies 24 km north-west of the town of Outokumpu, some 600 km north-east of Helsinki in eastern Finland and is 100% owned by Vulcan. Infrastructure is excellent with power, water, labour force, road and rail all nearby.

The major mine in the region was the Keretti mine which was discovered in 1910. At the cessation of mining, the deposit had produced 28.3 million tonnes @ 3.8% copper, 1% zinc, 0.12% cobalt, 9 g/t silver and 0.8 g/t gold. The deposits of the Outokumpu district are unique in their unusual metal association of copper, cobalt, nickel, zinc and gold.



Outokumpu Region – Vulcan Tenement Holdings and Geology

KYLYLAHTI COPPER PROJECT

The now closed mines at Outokumpu gave rise to the Company of the same name and Vulcan's deposit, Kylylahti, is located 20-30 km to the north-west in the strike extension of this belt of world class deposits.

A Pre-Feasibility Study has been completed with SRK (Steffen Robertson and Kirsten) appointed as Study Engineers and Lycopodium Engineering as Process Consultants. Results are expected to be available in October. A Bankable Feasibility Study has now commenced.

The Pre-Feasibility Study is extensive, largely due to the significant work completed by Outokumpu, often to full feasibility standard. It reviews all prior work and synthesises this with various best practice new studies. The study includes capture and validation of all existing geological, geotechnical, metallurgical, mining and environmental data, construction of a Resource Model suitable for mining studies, preliminary concentrate marketing studies, infill and extension drilling, metallurgical desktop studies leading to a definitive metallurgical testwork programme and process route, tailings dam design, environmental baseline studies and permitting, followed by mine and process costing and design and financial and risk analysis.

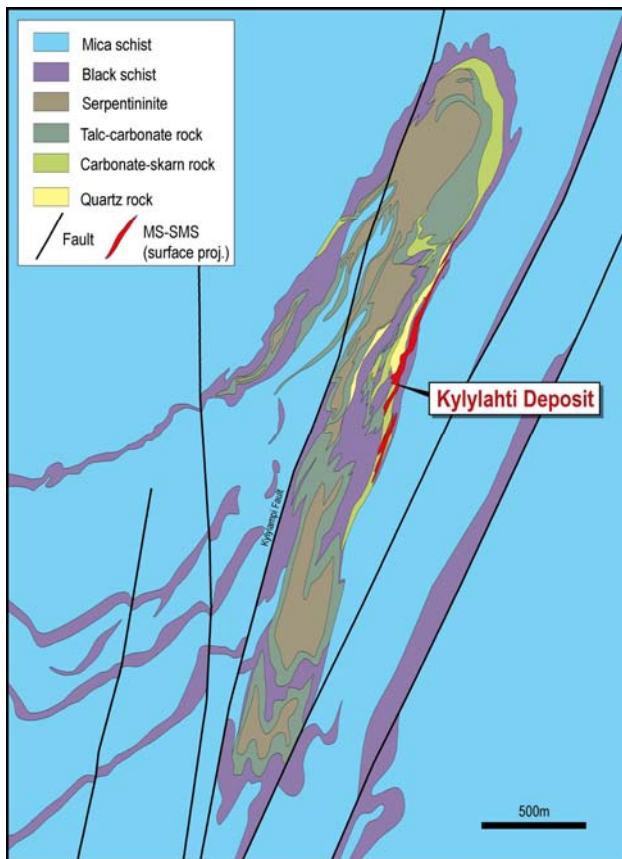


Keretti Mine

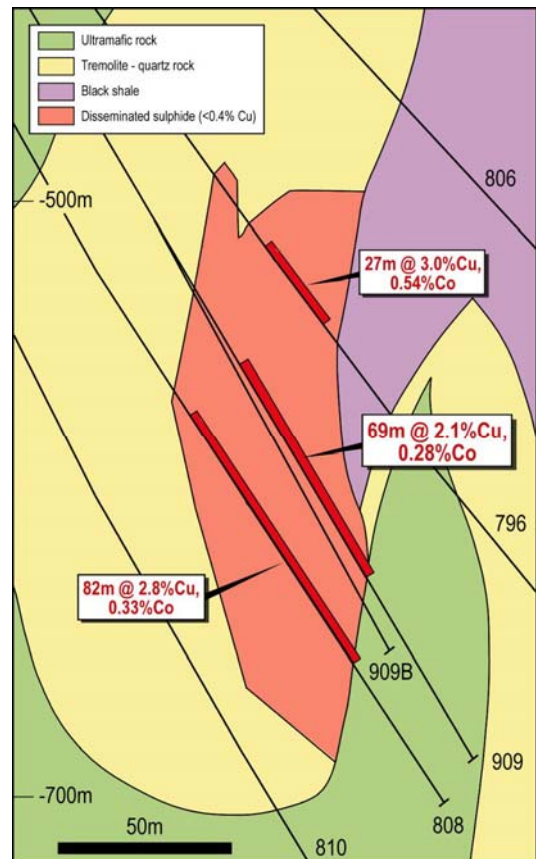
KYLYLAHTI COPPER PROJECT

Systematic regional exploration by Outokumpu at Kylylahti commenced in 1979 and led to the discovery of the Kylylahti deposit during 1984-86. A total of 158 holes for 47,468 m were completed by Outokumpu over a strike length of 3,500 m and to a depth of approximately 800 m.

Vulcan has completed a 3,000 m diamond drilling programme of four drill holes and one wedge hole drilled to replicate thick intersections to provide additional sample for later metallurgical testwork and to confirm short-range continuity. The drilling was focussed on the Wombat Zone which hosts the majority of the Kylylahti resources. Drilling results have confirmed the presence of significant thicknesses of sulphide mineralisation and increased confidence in continuity.



Geology of the Kylylahti Area



Cross Section of the Kylylahti Deposit

Resource Estimate

| Resources | Tonnes (Mt) | Cu (%) | Co (%) | Zn (%) | Ni (%) | Au (g/t) | Cu (Eq) % | In situ A\$/t |
|--------------|-------------|------------|------------|------------|------------|------------|------------|---------------|
| Indicated | 5.0 | 1.1 | 0.2 | 0.5 | 0.2 | 0.6 | 5.4 | 173 |
| Inferred | 2.4 | 0.8 | 0.2 | 0.4 | 0.2 | 0.5 | 5.0 | 160 |
| TOTAL | 7.4 | 1.0 | 0.2 | 0.4 | 0.2 | 0.6 | 5.3 | 169 |

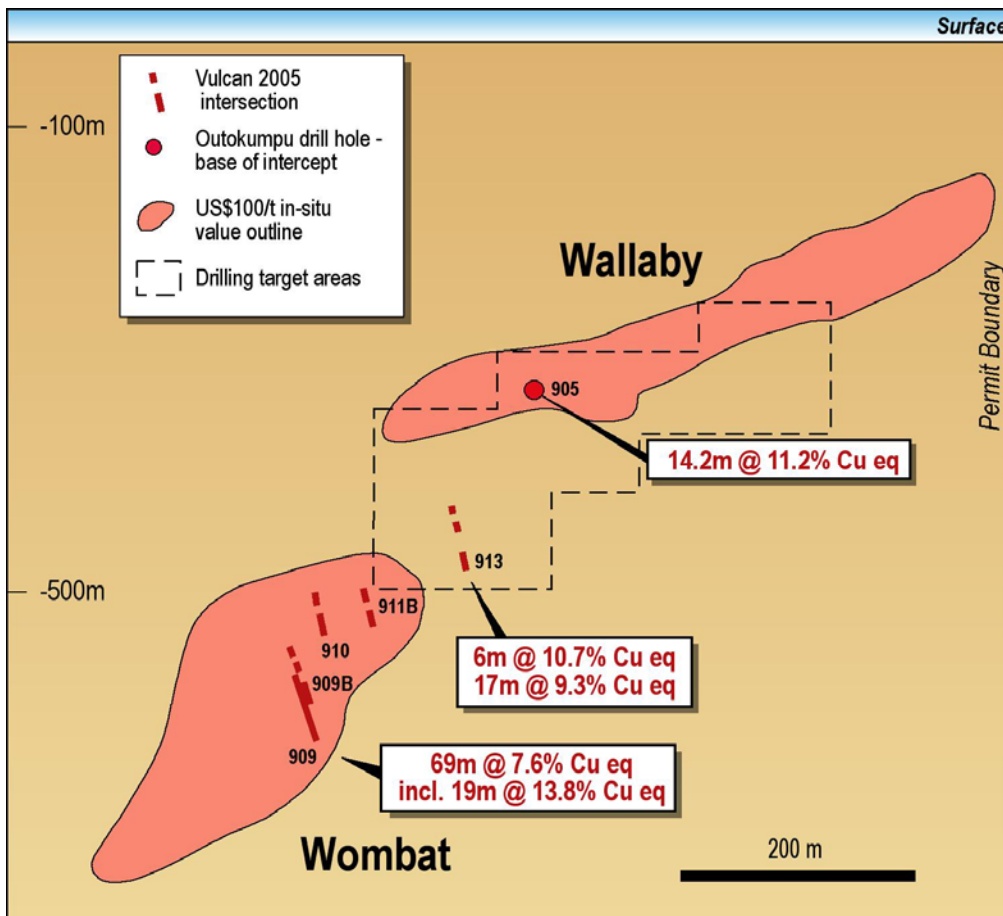
KYLYLAHTI COPPER PROJECT

In-situ copper equivalent grades were calculated using metal prices of copper US\$1.15/lb, cobalt US\$15.00/lb, nickel US\$5.50/lb, gold US\$400.00/oz and zinc US\$0.50/lb and an exchange rate of A\$0.75 for one US\$.

Vulcan has significant additional resources and drill targets in the Outokumpu area close to the Kylylahti deposit, namely the Saramaki and Vuonos copper deposits. Both projects were discovered, drilled and estimated by Outokumpu. Vulcan is the dominant landholder in the Outokumpu mining district and its tenement holding is shown on the map below.

The Saramaki deposit is located 15 km north-west of Kylylahti and extends from the surface down to 700 m depth over a strike length of some 1.7 km. The published inferred resource for this deposit using a 0.5% copper cut-off value is 3.4 million tonnes at 0.71% copper, 0.79% zinc, 0.1% cobalt, 0.06% Nickel.

The Vuonos deposit was mined from 1973 to 1985 by Outokumpu and produced 5.5 million tonnes at 2.13% copper, 0.14% cobalt, 1.32% zinc. The published remnant measured resource is 0.76 million tonnes at 1.76% copper, 0.14% cobalt and 1.33% zinc. Mineralisation occurs at depths of 40 m to 400 m. Vulcan has acquired mineral claims over the mine, unmined resources and also over possible extensions to the north-west towards the deposit of Perttilahti.



Longitudinal Projection of the Kylylahti Deposit

KYLYLAHTI COPPER PROJECT

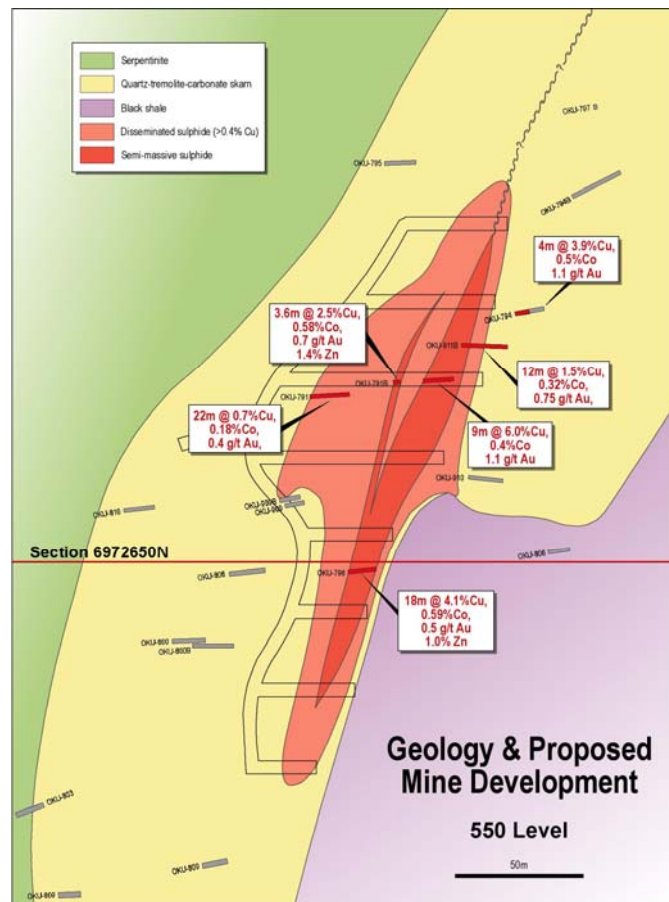
Mining

The underground mining potential for Kylylahti has been assessed by reviewing mining method options, developing preliminary cost and performance parameters based on similar mining operations in Finland and elsewhere and applying geotechnical constraints as supplied by an initial review undertaken by SRK.

The methods that are suitable for extracting the range of orebody geometries are for selective mining of 5-20 m wide stopes - long hole open stoping; extracting 15-20 m high benches with progressive filling of slices if required. For bulk mining of thick mineralisation over 25 m wide - sublevel open stoping with 50 m high stopes with fill to enable full extraction of resource.

The utilisation of these mining methods would allow Vulcan to achieve mining rates of 500,000 tpa, with potential to expand if required.

Vulcan expects that the mine will be operated with a mix of owner-operator equipment and contractors, as is employed successfully at a number of operating mines in Finland. Mineralisation occurs in very hard, competent and generally coarse-grained rocks.



Plan of proposed development 550 m below surface

KYLYLAHTI COPPER PROJECT

Metallurgy

Extensive metallurgical testwork was carried out by Outokumpu in the 1980's and 1990's. A comprehensive review of existing testwork was undertaken by Lycopodium Engineering. This involved translation of historic reports, data compilation and recommendations for a flow sheet on which to base capital and operating cost estimates. This testwork focussed on processing the material through Outokumpu's then operating Keretti or Vuonos concentrators.

The principal product will be a copper-gold concentrate with an approximate grade of 28% copper and 11 g/t gold. Copper is predominantly found as chalcopyrite; recoveries of greater than 83% for copper and 62% for gold are expected.

In addition to the copper-gold concentrate, the project will produce a cobalt-nickel concentrate and may also produce pyrite and zinc concentrates.

It is estimated by Outokumpu that a concentrate approaching 3% cobalt and 4.9% nickel content could be produced from the Kylylahti ore. Preferred estimates from Outokumpu testwork indicate grades of 2.1% cobalt and 1.35% nickel with recoveries of 63% cobalt and 47% nickel. Vulcan's review of the testwork suggests that there is considerable scope to improve grades and recoveries through grind size optimisation, physical separation and flow sheet adjustments. Outokumpu was able to produce this concentrate grade during testwork.

The testwork conducted by Outokumpu was specifically aimed at feeding the material to the existing plants at either Vuonos or Keretti. The flow sheets at these plants had limited flexibility to evolve and hence the majority of the testwork focussed on modifications to flotation operating parameters to achieve the required concentrate outcomes.

It is expected that with new testwork, focussing on the mineralogy and with a new flow sheet able to review opportunities such as concentrate re-grinding, there may be opportunities to increase the cobalt and nickel grade of the concentrate.

Plant

Lycopodium Engineering have been commissioned to design and provide capital and operating costs for a 500,000 tpa concentrator and all associated services and infrastructure at the Kylylahti site. Work is to pre-feasibility standard. An initial site layout has been completed and is being used to enable detailed costing for inclusion in the Pre-Feasibility Study.

The layout is also being used to enable the environmental base line studies, and for the completion of tailings storage facility studies.

Golder Associates have been engaged to undertake an initial tailings storage facility scoping study for Vulcan. The study will focus on the management of the acid mine drainage issues that will be predominant during the operation of the Kylylahti mine. It will also investigate opportunities to return

KYLYLAHTI COPPER PROJECT

tailings material underground and other ways of minimising capital expenditure required for the construction of a tailings storage facility.



KUHMO NICKEL JOINT VENTURE

Advanced exploration project in a rapidly emerging new nickel sulphide province of 150 km greenstone belt.

Two shallow open-pit massive nickel sulphide discoveries drilled this year. High palladium, platinum and copper values.

Four additional nickel sulphide deposits identified by historic exploration, little modern exploration (30 years).

Nickel mineralisation displays well understood. Mt Keith, Kambalda and Raglan-Collurabbie styles of mineralisation.

Abundant pipeline of geophysical and geochemical targets.

Introduction

The Kuhmo Nickel Joint Venture ("Kuhmo JV") is 95% owned with Dragon subsidiary Polar Mining Oy ("Polar") holding a 5% free carried interest. London listed Cambrian Mining plc is funding the first A\$1.5 million of expenditure to earn a 40% interest in Vulcan's share of the project.

Vulcan's extensive tenement holding is located within the 150 km long Kuhmo-Suomussalmi Greenstone Belt which is directly analogous to Western Australian greenstone belts. The six nickel sulphide deposits already identified by prior drilling in the 1960's and 1970's have much in common with the type examples of komatiite-hosted nickel deposits at Kambalda and elsewhere in Australia and also with 'Raglan' style deposits in Canada. Polar has an extensive database over the Kuhmo-Suomussalmi belt that was compiled over many years by Outokumpu and GTK which is available on an exclusive basis to the Joint Venture.

Australian geological models and discovery experience have been applied to the existing deposits and numerous geophysical (EM) and geochemical targets. Vulcan's programme of exploration involved compilation of all existing geophysical, geochemical, geological and drilling data. This identified the Hietaharju and Peura-aho nickel occurrences as highly prospective and ready for drill testing. Drilling at these projects commenced in April 2005.

The prospectivity of the area is demonstrated by the best historic intercept to date from the Peura-aho deposit, namely 2.25 m at 2.3% nickel, 0.33% copper and 0.13% cobalt.

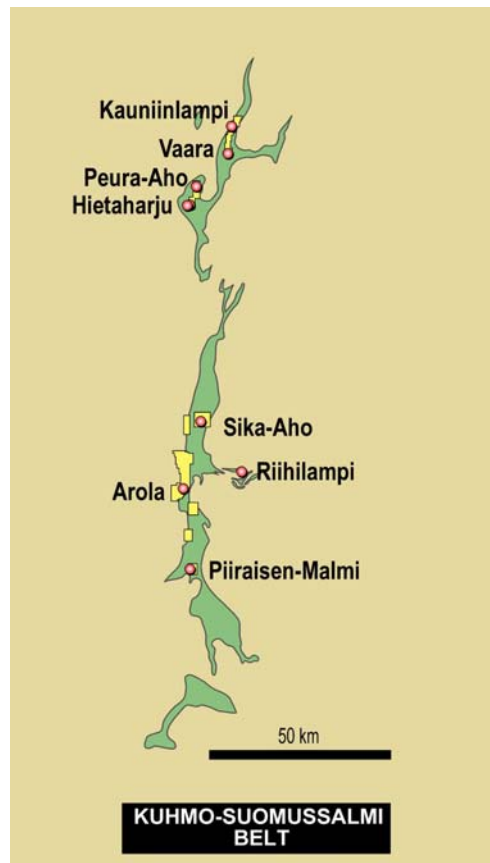
There has been little exploration undertaken in the last 10 to 20 years on the bulk of the deposits and minimal regional exploration. Exploration was largely focussed on thick high magnesium ultramafic lenses containing disseminated nickel sulphides. Australian experience has highlighted the high prospectivity of basal ultramafic contacts. There are a number of bullseye EM anomalies in such settings within the Joint Venture.

The bulk of the exploration was undertaken by Outokumpu, largely in the 1960's and 1970's, subsequent exploration was conducted by GTK. Although extremely promising nickel sulphide mineralisation was discovered, Outokumpu never undertook an extensive systematic programme

KUHMO NICKEL JOINT VENTURE

which uncovered an economic deposit. In addition, Outokumpu essentially withdrew from metals exploration at the time that great strides were being made in Western Australia in the late 1990's to re-open and re-vitalise long known nickel mines, deposits and discoveries. The Kuhmo project has escaped modern exploration and represents a complete nickel province that has had a low level of exploration.

Nickel sulphide outcrops were discovered in the Kuhmo Joint Venture area in the 1960's. Initial drilling was limited to shallow depths and focussed on discovering large tonnages of low-grade disseminated sulphides. This bias was due to Finland's lengthy history of mining large (2-12 million tonne) and low grade nickel-copper deposits hosted in complexly deformed Proterozoic intrusive rocks. An infrastructure of concentrators, smelter (Harjivalta) and refinery (Kokkola) was established around these deposits. In addition the understanding of Kambalda style komatiite hosted nickel deposits in greenstone belts was limited at that time.



Geological Map of Kuhmo-Suomussalmi Greenstone Belt

A significant asset that Polar contribute to the Joint Venture is the proprietary database that they have inherited from Outokumpu and licensed from the GTK. This database is unique to Polar and affords a major competitive advantage for the Joint Venture. The database highlights a number of significant untested till geochemistry anomalies. Such anomalies have been previously tested and led to the discovery of some of the known deposits.

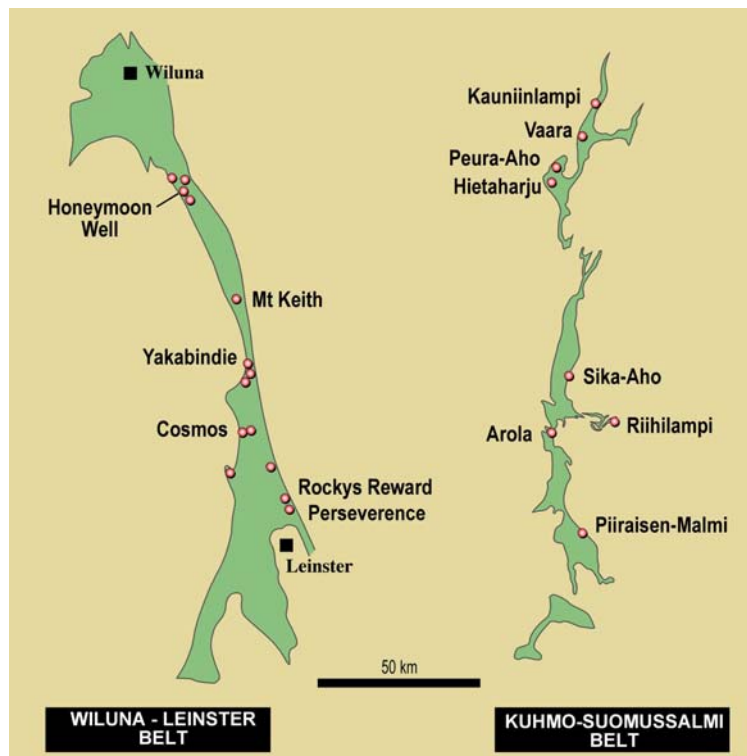
KUHMO NICKEL JOINT VENTURE

Geological Setting

The Kuhmo-Suomussalmi Greenstone Belt is a late Archaean greenstone belt (2,700 million years old) about 200 km long and 5-10 km wide located in the eastern part of Finland close to the Russian border.

This greenstone belt is similar in size, geometry and in the spread of nickel deposit styles to the Wiluna-Leinster belt in Western Australia which hosts the Mt Keith, Perseverance and Cosmos nickel deposits. The rocks which host the nickel occurrences in Finland are essentially identical to those in Australia. The type example of these 'komatiite'-hosted nickel sulphide deposits is the Kambalda nickel field in Western Australia. The komatiite sequences host a variety of very specific ultramafic rock types and sulphide mineralisation. Extensive academic research on the Kuhmo-Suomussalmi belt, including by CSIRO in Perth, has demonstrated this similarity.

Within the Kuhmo belt there are seven small to medium sized nickel deposits already identified by drilling. Although these are generally of low grade, in some cases no work has been done for 30 years and the bulk of exploration is shallow. The estimates were reviewed and do not comply with the JORC code in that a recognised professional familiar with the code did not make the estimates. Vulcan will compile new estimates in due course.



Comparison of Kuhmo Belt with an Australian Greenstone Belt

KUHMO NICKEL JOINT VENTURE

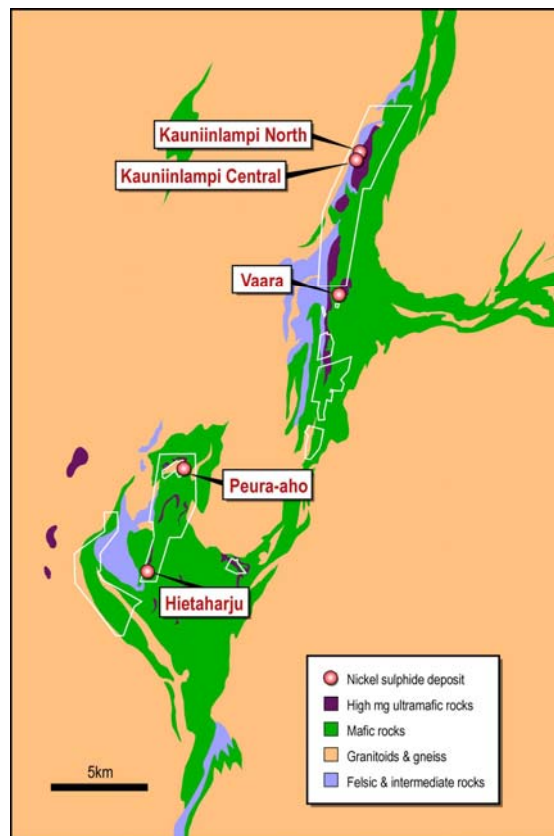
Suomussalmi Belt

The Suomussalmi greenstone belt is the name given to the northern-most discrete segment of the overall belt and is some 60 km long and contains five significant nickel sulphide occurrences.

In the north, at Kauniinlampi, there are three disseminated sulphide deposits hosted in thick high magnesian cumulate units (Mt Keith style). Nickel tenor (nickel in 100% sulphides) is high and grades are low at 0.5% to 1.5% nickel. The host rock association and metal tenor indicate that these are classic komatiite-hosted nickel sulphide deposits and that there is significant potential for Kambalda massive sulphide style deposits in komatiite units in the area.

In the southern area, Kiannenniemi, mineralisation at the two identified deposits of Peura-aho and Hietaharju differs from Kauniinlampi. Thick komatiite flow units host sulphides in three structural and vulcanological settings: 1) disseminated and stringer sulphide mineralisation within flow units, 2) massive and disseminated sulphides close to, or on the basal contact of flow units and 3) massive sulphides remobilised into felsic footwall rocks.

Reflecting the lower magnesium host rocks is the different metal association in 100% sulphide. Metal tenors are 3-5% nickel, 1-2% copper and 3-6 g/t platinum + palladium + gold. This low-magnesium komatiite style of mineralisation appears to be similar to the WMC Resources Collarabbie discoveries in Western Australia and to the Raglan deposits in Canada.



Geology of Suomussalmi Belt

KUHMO NICKEL JOINT VENTURE

Vulcan has focussed its first drilling programme on the Peura-aho and Hietaharju nickel occurrences. Peura-aho and Hietaharju were discovered in the 1960's and have not been explored for nickel since then.

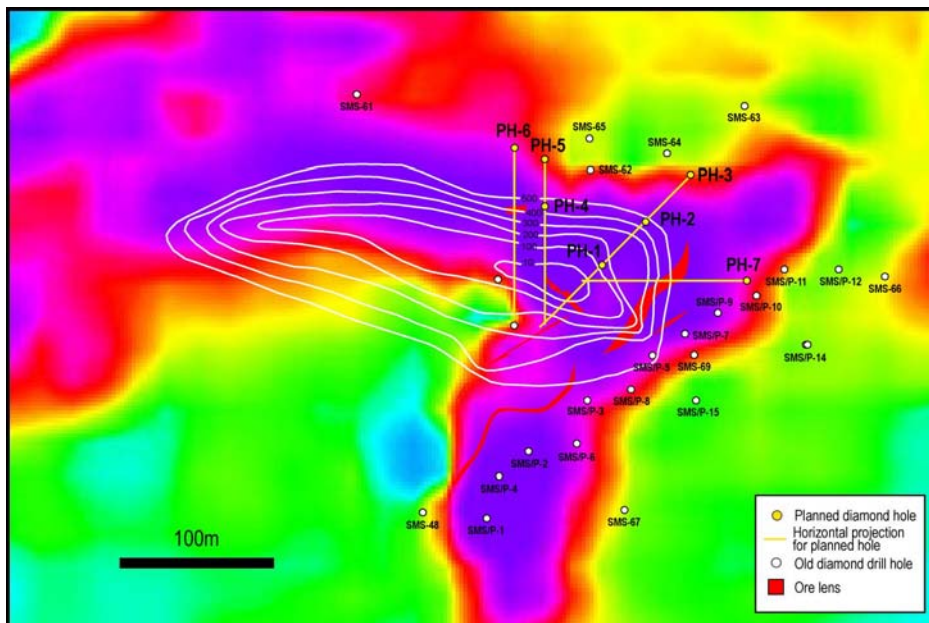
Peura-aho

This deposit is located in a komatiite sequence very similar to Kambalda style deposits. The deposit was discovered by Outokumpu in 1963 and has seen little work in the last 30 years. Sulphides are low in nickel and structurally complex. Potential for massive-sulphide discoveries is high with exploration largely surficial and identifying significant sulphides. Previous intercepts include 25 m at 0.55% nickel, 0.15% copper and 2.25 m at 2.28% nickel, 0.33% copper, 0.13% cobalt. Obtained in previous drilling were 3.6% nickel, 2.2% copper and 2.9 g/t palladium + platinum.

At Peura-aho, nine holes have been drilled by Vulcan to test beneath and along strike from a 20 m long outcrop of low-tenor massive nickel sulphides. The massive-sulphides are coincident with a 350 m long mise-a-la-masse anomaly which was also tested in this programme.

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

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



Peura-aho - Ground Magnetic Image with Mise a la Masse Contours and Drill Hole Locations

KUHMO NICKEL JOINT VENTURE

Results from the 2005 drilling programme are detailed in the table below.

| Hole | From (m) | Intercept (m) | Nickel (%) | Copper (%) | 2*PGE* (g/t) |
|------------------------|-------------|------------------|---------------|---------------|-----------------|
| SMS/PA-1 | 19.0 | 0.5 | 0.46 | 0.38 | 0.51 |
| | 36.5 | 2.7 | 1.06 | 0.60 | 1.40 |
| SMS/PA-3 | 40.8 | 0.4 | 0.67 | 0.05 | 0.75 |
| | 49.0 | 1.0 | 0.50 | 0.35 | 0.61 |
| SMS/PA-4 | 64.6 | 3.8 | 0.48 | 0.17 | 0.49 |
| SMS/PA-6 inc inc | 86.0 | 5.0 | 1.29 | 0.65 | 3.42 |
| | 86.0 | 1.8 | 1.92 | 1.22 | 5.28 |
| | 89.0 | 2.0 | 1.47 | 0.51 | 3.81 |
| SMS/PA-6 inc | 98.3 | 2.5 | 1.65 | 0.60 | 2.61 |
| | 98.3 | 1.2 | 2.12 | 0.93 | 2.94 |
| SMS/PA-7 | 50.0 | 4.0 | 0.55 | 0.25 | 0.77 |
| | 85.5 | 1.8 | 0.51 | 0.35 | 0.32 |
| | 91.7 | 1.2 | 2.22 | 0.89 | 3.46 |

* 2* PGE – platinum plus palladium

Hietaharju

This deposit is similar to Peura-aho and was discovered by Outokumpu in 1963, before the nickel boom sparked by the discovery of Kambalda. At both Peura-aho and Hietaharju the potential for Kambalda/Cosmos style deposits is high and exploration along strike from, and beneath, the occurrences is minimal.

At Hietaharju 23 historic drill holes have tested the area to a depth of 200 m.

Nickel sulphide mineralisation is hosted in a komatiite unit up to 100m thick and over 0.8 km long. Mineralisation occurs over 500 m along strike both as basal contact mineralisation and as internal disseminated and vein and breccia sulphides.

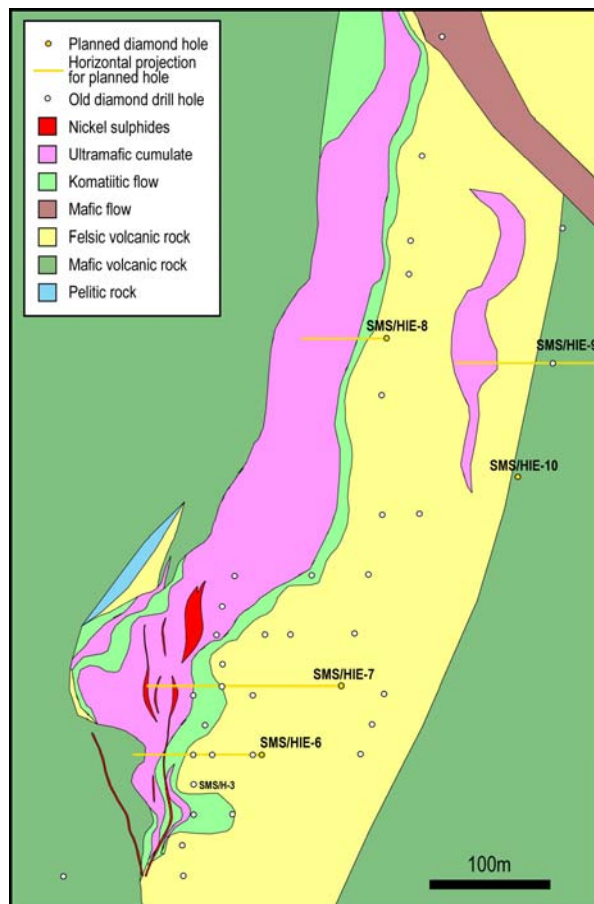
In shallow bedrock drilling, values up to 2% nickel have been recorded and historic diamond drilling has returned values up to 3.6% nickel, 3.1% copper and 18g/t palladium + platinum. The best historic intercept is 2.45 m at 1.9% nickel and 0.8% copper.

Vulcan's 2005 drill programme was targeted at basal contact mineralisation in two locations approximately 400 m apart, at coincident outcropping nickel sulphides and at a geophysical anomaly in a parallel komatiite unit to the east.

KUHMO NICKEL JOINT VENTURE



Photograph of Matrix Sulphides from Drill Hole HIE-12



Hietaharju Geology and Vulcan Drilling

KUHMO NICKEL JOINT VENTURE

Highlights from that drilling are tabulated below.

2005 Drill Programme – Hietaharju

| Hole | From (m) | Intercept (m) | Nickel (%) | Copper (%) | 2*PGE (g/t) |
|------|----------|---------------|------------|------------|-------------|
| HIE7 | 63 | 17.8 | 1.33 | 0.6 | 1.9 |
| inc | | 1.5 | 2.80 | 0.7 | 1.8 |
| inc | | 2.1 | 1.60 | 1.3 | 3.0 |

* 2* PGE – platinum plus palladium

Kauniinlampi Group

Kauniinlampi – This deposit is in a large ultramafic complex some 15 km long and up to 0.5 km wide containing discrete high-magnesium ‘cumulate’ lenses. Remobilised nickel sulphides have been identified in drilling by the Geological Survey of Finland (GTK) in 1997. Mineralisation and host rocks are similar to Mt Keith and Honeymoon Well in Western Australia.

The northern-most mineralisation in the Kauniinlampi cumulate lens is mobilised into a NW-SE trending fault zone, which dips to the north-east at about 45°. Higher grade nickel mineralisation occurs in the most altered and crushed rocks. The nickel content of the mineralisation vary from 0.3 to 1 wt.%. The main sulphide minerals are composite grains of nickel-rich pentlandite (on an average 37.5 wt.% nickel) and heazlewoodite, other sulphides are minimal.

The metal distribution is zoned. A copper-bearing zone (up to 800 ppm) occurs below the nickel mineralisation. Cobalt content (up to 800 ppm) always follows the nickel content. PGE’s (platinum and palladium) occur always in the uppermost part of the nickel mineralisation and in a 1 m long sample the maximum analysed content is 2.9 ppm palladium + platinum.

Vaara – This deposit occurs in a smaller ultramafic complex south of Kauniinlampi in which nickel sulphides were also discovered by the GTK. Comprehensive ground geophysics (EM and Magnetics) has been completed over both Kauniinlampi and Vaara, however depth penetration was poor and potential for Cosmos/Kambalda style massive sulphide deposits below 100 m on the untested basal contact remains high.

Mineralisation style differs from Kauniinlampi. The magmatic disseminated nickel mineralisation type in the Vaara komatiite cumulate lens is hosted by olivine mesocumulate. In this mineralisation all chalcophile elements follow each other unlike in the mobilised type. The disseminated sulphides at Vaara have very high nickel-sulphide ratios. Serpentinisation and host rock alteration upgraded the nickel content of disseminated sulphides by oxidation of iron in primary sulphides. PGE tenors are, compared to the Australian komatiitic nickel deposits, abnormally high.

This deposit was drilled on 50 m sections and contains approximately 500,000 t at 0.5% nickel. Outokumpu tested komatiite flow units in the footwall of this lens and obtained anomalous nickel

KUHMO NICKEL JOINT VENTURE

values on the basal contact. The komatiite units in this area are clearly 'fertile' and further systematic work on the deposits and adjacent komatiites and anomalies is required.

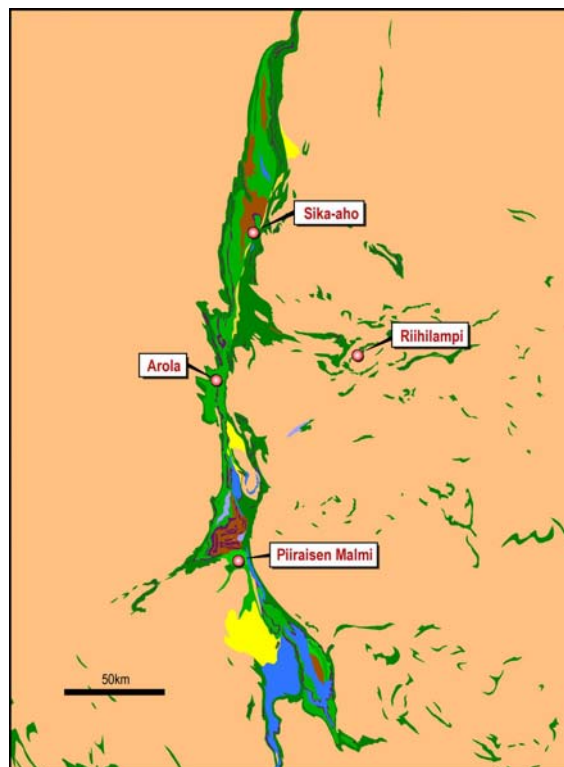
Kuhmo Belt

This belt is the southern portion of the greenstone complex and some 100 km long and contains two significant nickel deposits. The level of exploration work completed is generally much lower than in the Suomussalmi belt. The belt is characterised by multiple belts of komatiite ultramafic rocks and a major ultramafic complex at Kellojarvi. The two major deposits are Arola and Sika-aho.

Sika-aho – This deposit was discovered by the GTK in 1994 and is located adjacent to major structure in mafic rocks, offset from original komatiite host rocks.

Arola – The Arola deposit was discovered in 1987 and is the largest in the project area at 1.52 million tonnes at 0.46% nickel. Nickel mineralisation is remobilised into quartz-carbonate chlorite schists several 100 m into the footwall, relative to a major ultramafic/komatiite complex. Prior drilling in the vicinity of the deposit is reasonably systematic and nickel values up to 5.6% nickel have been returned.

A significant EM target occurs along strike to the north at the basal contact of a major ultramafic unit and remains untested by diamond drilling. Numerous nickel and copper in till anomalies occur in the area.



Kuhmo Greenstone Belt

KUHMO NICKEL JOINT VENTURE

The belt is also characterised by a number of Bullseye EM anomalies. Such anomalies are often characteristic of sulphide deposits and as such are high priority drilling targets. The geological setting of such anomalies in thinner komatiite units along strike from thick dunites is similar to recent discoveries in Western Australia.

Recent compilation of airborne geophysical data and new surveys commissioned by Vulcan and flown by GTK has identified numerous EM conductors.

To the east of Arola, there are a number of nickel occurrences in greenstone remnants. Kuhmo's tenements at Riihilampi are poorly explored but up to 2.4% nickel has been encountered in scout drilling and 2.3% nickel in boulders.

TORNIO PLATINUM PROJECT

The Tornio Platinum Project may be the lateral equivalent of GoldFields Arctic Platinum Project (12 million ounces palladium + platinum + gold).

The project encompasses a 10 km long layered intrusion in an identical stratigraphic position and with similar geology to the adjacent Penikat intrusion which forms part of GoldFields Arctic Platinum Project. Published Resources for this project are 156 million tonnes at 2.42 g/t combined palladium + platinum + gold for 12 million contained ounces.

The prospective horizons of the Tornio intrusion are untested and Vulcan will undertake geochemical drilling to define drill targets.

This is a conceptual exploration target based on the detailed published geological model for the adjacent Penikat and Portimo layered intrusions which host the 12 million ounce (156 Mt at 2.42 g/t, platinum + palladium + gold) Arctic Platinum Project owned by GoldFields and subject to a Bankable Feasibility Study.

The Tornio layered intrusion displays similar geophysical and geological characteristics to the Penikat/Portimo layered intrusions which occurs in an identical stratigraphic position to Tornio some 40 km west of the Penikat portion of the Arctic Platinum Project. Exploration would be relatively simple with a first pass geochemical exploration programme to test the geological concept of equivalence of the two intrusions and provide targeting for diamond drill testing of the platinum group element prospective horizon. This would give an indication relatively early.



Location of the Tornio Platinum Project

WESTERN 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 focussing expenditure on evaluation of more advanced projects. A summary of these projects is given below.

Mulgabbie (100%)

Mulgabbie is located 110 km north east of Kalgoorlie and 6 km east of Sons of Gwalia's Carosue Dam gold mining operation. Extensive soil anomalism in the area was partly tested by previous explorers and in an initial drill programme by Vulcan. No significant results were obtained. During the past 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

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

Sons of Gwalia were a joint venture partner on a number of these tenements and 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.

An augered soil-sampling programme was completed by Sons of Gwalia over tenement E31/524, 54 km north-west of the Carosue Dam Operation following up earlier explorers anomalies.

A maximum of 186ppb gold was reported. This highly anomalous result lies within a >45 ppb gold anomaly over a 600 m x 400 m area, open to the west, south and north. The area of the anomaly is located in an area of subcrop and outcrop cut by north-east trending drainage channels.

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.

DIRECTORS' REPORT

Your directors present their report on the Company for the year to 30 June 2005.

DIRECTORS

The names and details of the Company's directors in office 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.

Names, Qualifications, Experience and Special Responsibilities

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 currently a director of Rox Resources Limited and Australis Aquaculture Limited. During the last three years, Dr Cowden has also served as a director of Deep Yellow Limited and Australian Cancer Technology 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 in the minerals and oil and gas sectors.

Mr Dickson is a Certified Practising Accountant with a Bachelors Degree in Economics and Finance from Curtin University. During the last three years he has also served on the boards of Deep Yellow Limited and Australian Cancer Technology Limited.

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 also a director of Platinum Australia Ltd, Colltech Australia Limited, Rox Resources Limited, Aurora Oil & Gas Ltd, Australian Development Capital Ltd and an alternate director of Alcaston Mining NL. During the last three years he has also served on the Board's of Antares Energy Ltd, Black Range Minerals Limited, GBF Limited, Southern Amity Ltd and Ranger Minerals 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 |
|-------------|-----------------|-----------|
| A Cowden | 2,985,700 | 3,145,850 |
| M Blakiston | 1,611,562 | 2,548,575 |
| B Dickson | 1,857,150 | 2,070,575 |

EARNINGS PER SHARE

Cents

| | |
|------------------------|-------|
| Basic loss per share | (3.1) |
| Diluted loss per share | (3.1) |

DIVIDENDS

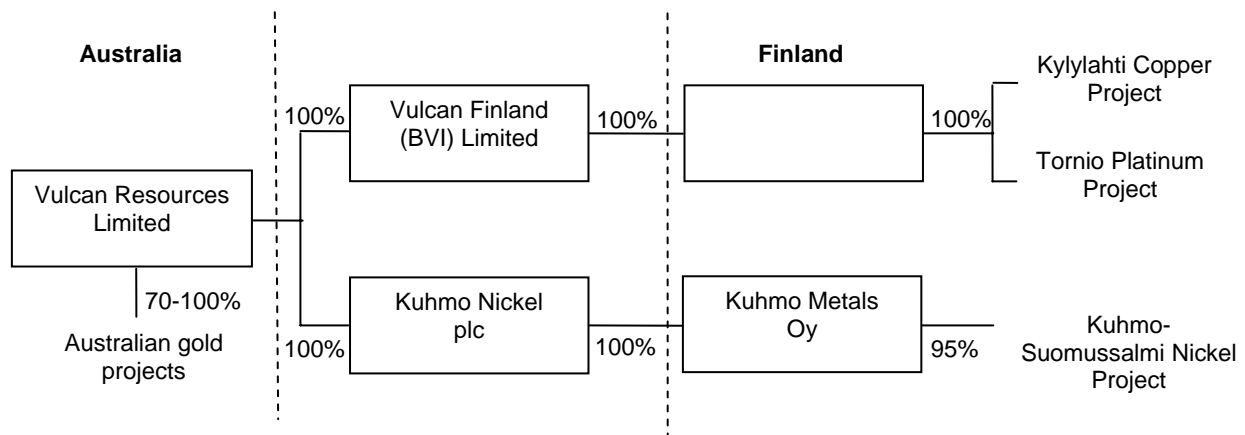
No amounts have been paid or declared by way of dividend of the Company since the end of the previous financial period and up until the date of this report. The directors do not recommend the payment of any dividend for the financial year ended 30 June 2005.

DIRECTORS' REPORT

CORPORATE INFORMATION

Corporate Structure

Vulcan Resources Limited is a company limited by shares which is incorporated and domiciled in Australia. Vulcan Resources Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, which are outlined in the following illustration of the group's corporate structure.



Nature of Operations and Principal Activities

The principal activities of the consolidated entity during the year were:

- Pre-feasibility studies on Kylylahti copper project in Finland
- Nickel exploration in Finland
- Gold exploration in Australia

Employees

The consolidated entity had five employees at 30 June 2005 (2004: three).

OPERATING AND FINANCIAL REVIEW

Group Overview

Vulcan Resources Limited was formed early in 2002 and listed on the Australian Stock Exchange in September that year. Since that time it has been actively exploring for minerals in Australia, either in its own right or through joint venture, as well as seeking new opportunities in the resources sector.

In the second half of 2004 it reached agreement to acquire a suite of base metal projects in Finland from Dragon Mining NL's subsidiary Polar Mining Oy.

DIRECTORS' REPORT

Kylylahti Copper Project

A Pre-Feasibility Study has commenced which reviews all prior work and synthesises this with various best practice new studies. The study includes capture and validation of all existing geological, geotechnical, metallurgical, mining and environmental data and construction of a Resource Model suitable for mining studies. Other work included preliminary concentrate marketing studies, infill and extension drilling, metallurgical desktop studies leading to a definitive metallurgical testwork programme and process route, tailings dam design, environmental baseline studies and permitting, followed by mine and process costing and design and financial and risk analysis.

Kuhmo-Suomussalmi Project

At this project Australian geological models and discovery experience have been applied to the existing deposits and numerous geophysical (EM) and geochemical targets. This years programme of exploration involved compilation of all existing geophysical, geochemical, geological and drilling data. This identified the Hietaharju and Peura-aho nickel occurrences as highly prospective and ready for drill testing. Drilling at these projects commenced in April and returned highly promising results which will be followed up in the next six months.

Tornio Platinum Project

There has been little work undertaken on this project since it was acquired. Geochemical drilling is planned in the next year.

Australian Gold Projects

Due to the groups focus on Finland little work has been completed on these projects over the last year.

Operating Results

The consolidated entity's loss for the year was \$1,130,752 which compares favourably to the 2004 loss of \$1,492,527. The principal reason for the improved performance was that exploration expenditure expensed during 2005 was some 81% less than 2004. This was offset to a degree by higher corporate expenses as a result of the groups acquisition of overseas based projects.

Investments for Future Performance

The future performance of the group is entirely dependent upon its exploration success and the development of its mineral resources. To this end the group has budgeted for active exploration programmes over the next 12 months with particular emphasis at the Kuhmo-Suomussalmi nickel project and the Kylylahti copper project. In addition to its exploration programmes the group will continue with feasibility studies at the Kylylahti copper project.

DIRECTORS' REPORT

Review of Financial Condition

During the year 7,500,000 ordinary shares and 7,500,000 options were issued as consideration in acquiring the Finnish base metal projects from Polar Mining Oy. The value placed on these shares and options was \$2,283,375.

Cash of \$1.99 million was raised through the issue of 12,700,000 shares via a private placement. A further \$1.62 million was raised through the issue of 5,500,000 shares after balance date.

In addition, during the year Vulcan Resources Limited reached agreement with Cambrian Mining plc for it to acquire a 40% interest in the Kuhmo-Suomussalmi project for a consideration of \$1.5 million.

The consolidated entity has a sound capital structure and is in an excellent position to progress its mineral properties.

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 not mentioned elsewhere in this report.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Since the end of the financial year the Company has issued 5,500,000 ordinary shares at \$0.30 to raise \$1,650,000. No other matter or circumstance has arisen which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial periods.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments in the operations of the consolidated entity 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 consolidated entity.

ENVIRONMENTAL ISSUES

The Company carries out operations in Western Australia and Finland which are subject to environmental regulations in relation to its exploration activities. During the financial year there has been no significant breach of these regulations.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The consolidated entity has made an agreement indemnifying all the directors and officers of Vulcan Resources Limited against all losses or liabilities incurred by each director and officer in their capacity as

DIRECTORS' REPORT

directors and officers of the Company. The consolidated entity did not make any payments for premiums for directors and officers insurance during the financial year.

SHARE OPTIONS

At the date of this report and at the reporting date there were 35,790,001 unissued shares under options. Refer to note 19(a) 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.

No options were exercised during the financial year. Since the end of the financial year 29,000 options have been exercised at the exercise price of \$0.25 each.

REMUNERATION REPORT

This report outlines the remuneration arrangements in place for directors and executives of Vulcan Resources Limited (the Company).

Remuneration philosophy

The performance of the Company depends upon the quality of its directors and executives. To prosper, the Company must attract, motivate and retain highly skilled directors and executives.

To this end, the Company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives
- Link executive rewards to shareholder value
- Encouragement for directors to sacrifice a portion of their fees to acquire shares in the Company at market price

Remuneration committee

The full Board acts as the Remuneration Committee and is responsible for determining and reviewing compensation arrangements for the directors, the Managing Director (MD) and the senior management team.

The Board assesses the appropriateness of the nature and amount of remuneration of directors and senior managers 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.

DIRECTORS' REPORT

Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive director and senior manager remuneration is separate and distinct.

Non-executive director remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was in 2002 when shareholders approved an aggregate remuneration of \$150,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The board considers the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each non-executive director receives a fee for being a director of the Company. No additional fees are paid for each board committee on which a director sits.

Non-executive directors are encouraged by the board to hold shares in the Company. It is considered good governance for directors to have a stake in the Company whose board he or she sits.

The remuneration of non-executive directors for the year ending 30 June 2005 is detailed later in this report.

Senior manager and executive director remuneration

Objective

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- reward executives for company and individual performance;
- align the interests of executives with those of shareholders;
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

DIRECTORS' REPORT

Structure

In determining the level and make-up of executive remuneration, the Board Committee sought independent advice from an external consultant detailing market levels of remuneration for comparable executive roles.

Remuneration consists of the following key elements:

- Fixed Remuneration
- Variable Remuneration – Long Term Incentive (“LTI”)

Fixed Remuneration

Objective

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed at least annually by the Board and the process consists of a review of individual performance, relevant comparative remuneration in the market and, where appropriate, external advice on policies and practices.

Structure

Senior managers are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payments plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

The fixed remuneration component of senior managers is detailed later in this report.

Variable Remuneration – Long Term Incentive (“LTI”)

Objective

The objective of the LTI plan is to reward senior managers in a manner which aligns this element of remuneration with the creation of shareholder wealth.

As such LTI grants are only made to executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the Company's performance.

Structure

LTI grants to executives are delivered in the form of options.

The options, when issued to executives will not be exercisable for a price less than the then current market price of the Company's shares and the Company may use a number of measures, decided at the time of issue, as the performance hurdle for the long term incentive plan. At the date of this report LTI grants have not been made to any executive.

DIRECTORS' REPORT

Employment contracts

The MD, Dr Cowden is employed under contract. The current employment contract commenced on 27 April 2004 and terminates on 27 April 2007, at which time the Company may choose to commence negotiation to enter into a new employment contract with Dr Cowden. Under the terms of the present contract:

- Dr Cowden may resign from his position and thus terminate this contract by giving 3 months written notice.
- The Company may terminate this employment agreement by providing 6 months' written notice. On termination on notice by the Company, the Company will pay Dr Cowden an amount equal to the fixed component of his remuneration for the remainder of the term of the contract.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the MD is only entitled to that portion of remuneration which is fixed, and only up to the date of termination. On termination with cause any unvested options will immediately be forfeited.

Directors and executive remuneration for the year ended 30 June 2005

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

| Director | Base Salary | | Superannuation | | Other Cash Benefits ² | | Options | | Total | |
|--------------------------|----------------|---------------|----------------|--------------|----------------------------------|---------------|-----------|-----------|----------------|----------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | | | | |
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| M Blakiston ¹ | 15,000 | -- | 1,350 | -- | -- | -- | -- | -- | 16,350 | -- |
| A Cowden | 149,028 | 99,000 | 13,456 | 9,000 | -- | -- | -- | -- | 162,484 | 108,000 |
| B Dickson ² | -- | -- | -- | -- | 92,640 | 78,000 | -- | -- | 92,640 | 78,000 |
| TOTAL | 164,028 | 99,000 | 14,806 | 9,000 | 92,640 | 78,000 | -- | -- | 271,474 | 186,000 |

1. Chatsworth Stirling Pty Ltd a company in which Mr Blakiston is a shareholder and director, received fees totalling \$8,000 (2004: \$24,000) for corporate advice. In addition Blakiston & Crabb, an entity of which Mr Blakiston is a partner, received fees totalling \$26,112 (2004: \$57,485) 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 \$92,640 (2004: \$78,000) for the provision of services.

No other benefits were granted to directors during the year and all transactions with director-related entities occurred under normal commercial terms and conditions.

There were no other executive officers during the financial year.

DIRECTORS' REPORT

DIRECTORS MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

| | Directors Normal Meetings | Directors Audit Meetings | Directors Remuneration Meeting |
|------------------------------|------------------------------|-----------------------------|-----------------------------------|
| Number of meetings held | 11 | 2 | 1 |
| Number of meetings attended: | | | |
| A Cowden | 11 | 2 | 1 |
| M Blakiston | 11 | 2 | 1 |
| B Dickson | 11 | 2 | 1 |

Committee membership

As at the date of this report the Company does not have separately constituted Audit and Remuneration Committees. The full board acts as those committees under specific charters.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Section 307C of the Corporations Act 2001 requires the Company's auditors to provide the directors of Vulcan Resources Limited with an Independence Declaration in relation to the audit of the full-year financial report. This report has been received and is attached to the Directors' Report.

Non-Audit Services

The following non-audit services were provided by the entity's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit services provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

| | |
|-------------------------------------|----------|
| Tax compliance services | \$ 3,750 |
| Corporate advice on offshore assets | \$50,880 |

Signed in accordance with a resolution of the directors



ALISTAIR COWDEN
Chairman

Perth, 30 September 2005

Auditor's Independence Declaration to the Directors of Vulcan Resources Limited

In relation to our audit of the financial report of Vulcan Resources Limited for the financial year ended 30 June 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



V W Tidy
Partner
Perth

Date: 30 September 2005

CORPORATE GOVERNANCE

During the 2005 financial year (the "**Reporting Period**") Vulcan Resources Limited (the "**Company**") has continued to operate in accordance with systems of control and accountability which the Company previously adopted. This report sets out the key corporate governance practices of the Company during the Reporting Period, providing disclosure to the extent recommended by the ASX in accordance with its "Principles of Good Corporate Governance and Best Practice Recommendations" (the "**ASX Guidelines**").

Commensurate with the spirit of the ASX Guidelines, the Company has followed each of the 28 Recommendations to the extent the Board considered that their implementation was practicable and likely to genuinely improve the Company's internal processes and accountability to external stakeholders. To the extent that the Company has adopted a practice that differs from the recommendations, disclosure is made of the Company's practice, and how that practice embraces the ASX Principles.

Additional information about the Company's corporate governance practices, including disclosure of the various charters, policies and procedures which form the Company's corporate governance framework, is set out on the Company's website at www.vulcanresources.com.au.

EXPLANATIONS FOR DEPARTURES FROM BEST PRACTICE RECOMMENDATIONS

As at the end of the Reporting Period, there are few recommendations of the ASX that the Company does not follow. These relate directly to the structure of the Board, and are described more fully as follows:

Principle 2

Recommendation 2.1: A majority of the Board should be independent directors

At this time none of the three directors are considered to be independent. The current Board members possess the diversity of skills and experience which has been appropriate for the Company's projects and business to date. The current Board is considered the best structure to add value to the Company, notwithstanding the lack of independence in accordance with pre-determined criteria. The Board does not consider that the appointment of additional, independent directors at this stage would deliver increased value to shareholders. The Board will continue to monitor the effectiveness of its composition and will make any changes as deemed appropriate.

Principle 2

Recommendation 2.1: The chairperson should be an independent director

The Chairman is an executive. Of the three non-independent directors, Dr Cowden, is the most suitably qualified director to be chairman. The Board considers that no benefit would be gained by appointing the non-executive director, Mr Blakiston, to the role of chairman. Further, the Board is of the view that the integral leadership role of Dr Cowden as key executive and chairman is aligned with shareholder expectations.

CORPORATE GOVERNANCE

Principle 2

Recommendation 2.4 The Board should establish a Nomination Committee

Due to the size of the Company it does not presently have a separately established nomination committee. The full Board currently considers those matters that would usually be the responsibility of a nomination committee and has adopted a Nomination Committee Charter, which it applies when convening as the nomination committee.

Principle 4

Recommendation 4.2: The Board should establish an Audit Committee

Recommendation 4.3: Structure the Audit Committee so that it consists of:

- only non-executive directors
- a majority of independent directors
- an independent chairperson, who is not chairperson to the Board
- at least three members

The current size of the Board is not suitable for the formation of an audit sub-committee, and this is not considered to be necessary to ensure integrity in financial reporting. The Board has adopted, and applies, an Audit Committee Charter, and the non-executive director is available to meet separately with the external auditor should this be considered necessary.

Principle 9

Recommendation 9.2: The Board should establish a Remuneration Committee

The Board considers that no efficiencies or other benefits would be gained by establishing a separate remuneration committee. However, similarly to its approach to nomination-related matters, the Board has adopted a Remuneration Committee Charter, which it applies when convening as the remuneration committee.

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

These details are contained in profiles in the Directors' Report.

IDENTIFICATION OF INDEPENDENT DIRECTORS

In considering independence of directors, the Board refers to the criteria for independence as recommended by the ASX. To the extent that it is necessary for the Board to consider issues of materiality, the Board refers to the thresholds for qualitative and quantitative materiality as adopted by the Board and contained in the Statement of Board and Management Functions, which is disclosed in full on the Company's website.

The Board does not currently consider any of the three directors to be independent in accordance with the criteria. However, the Board considers that each of its members exercises, is capable of continuing to exercise, independent judgment in relation to the business affairs of the Company.

CORPORATE GOVERNANCE

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 Chairman, the Company will pay the reasonable expenses associated with obtaining such advice.

COMMITTEE MEMBERS AND MEETINGS

Due to the size of the Company, the full board considers matters normally the responsibility of the Audit, Remuneration and Nomination sub-committees. In accordance with charters adopted by the Board it meets formally during the year as those committees. Attendance at these meetings was as follows:

| No of Meetings Held | Sub Committee | | |
|--------------------------|---------------|-------------------|-----------------|
| | Audit 2 | Remuneration 1 | Nomination - |
| Meeting Attended: | | | |
| Dr A Cowden | 2 | 1 | - |
| Mr M Blakiston | 2 | 1 | - |
| Mr I Mulholland | 2 | 1 | - |

PERFORMANCE EVALUATION OF THE BOARD

Each year the Board undertakes an evaluation of its own performance during the year. Board members are required to complete a questionnaire regarding individual knowledge, satisfaction, reporting and performance on a range of topics that are responsibilities of the Board. Each director was required to rank performance according to a defined scale for each activity or area. Results of the questionnaires were collated and statistically analysed to rank collective board performance against each topic. Comparative analysis between individual director response and the overall board response was completed. Once the analysis was completed the Chairman reviewed the results with each director. In addition, the Board reviewed and discussed the outcomes of the performance review and implemented a range of initiatives to address significant issues where improvement could be monitored. In addition to the collective review directors also discussed specific issues where the assessment by directors had been significantly different to the collective mean assessment. These strategies allow the Board's performance to be measured against both measurable and qualitative indicators.

The Board reviews the charters of committees to whom the Board has delegated responsibilities annually.

The Board reviews the Managing Director and key executive performances annually against the Company's performance objectives and prepares a report to the Remuneration Committee outlining its assessment.

CORPORATE GOVERNANCE

REMUNERATION POLICY

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms part of the Directors' Report.

STATEMENT OF FINANCIAL PERFORMANCE

For the Year Ended 30 June 2005

| | Notes | CONSOLIDATED | | COMPANY | |
|--|-------|--------------------|--------------------|--------------------|--------------------|
| | | 2005 (\$) | 2004 (\$) | 2005 (\$) | 2004 (\$) |
| Revenues from ordinary activities | 2 | 347,194 | 235,339 | 587,194 | 235,339 |
| Depreciation | 3(a) | (12,506) | (6,150) | (12,506) | (6,150) |
| Other expenses from ordinary activities | 3(b) | <u>(1,465,440)</u> | <u>(1,721,716)</u> | <u>(1,216,366)</u> | <u>(1,721,716)</u> |
| Loss from ordinary activities before income tax expense | | (1,130,752) | (1,492,527) | (641,678) | (1,492,527) |
| Income tax expense relating to ordinary activities | 4 | - | - | - | - |
| Net loss attributable to members of Vulcan Resources Limited | | <u>(1,130,752)</u> | <u>(1,492,527)</u> | <u>(641,678)</u> | <u>(1,492,527)</u> |
| Net increase in option reserve | 20 | 854,375 | - | 854,375 | - |
| Share issue costs | 19 | (101,655) | - | (101,655) | - |
| Total revenues, expenses and valuation adjustments attributable to members of Vulcan Resources Limited and recognised directly in equity | | <u>752,720</u> | <u>-</u> | <u>752,720</u> | <u>-</u> |
| Total changes in equity other than those resulting from transactions with owners as owners attributable to members of Vulcan Resources Limited | | <u>(378,032)</u> | <u>(1,492,527)</u> | <u>111,042</u> | <u>(1,492,527)</u> |
| Basic loss per share (cents per share) | 7 | (3.1) | (5.9) | | |
| Diluted loss per share (cents per share) | 7 | (3.1) | (5.9) | | |

STATEMENT OF FINANCIAL POSITION

As at 30 June 2005

| | Notes | CONSOLIDATED | | COMPANY | |
|----------------------------------|-------|------------------|------------------|------------------|------------------|
| | | 2005 (\$) | 2004 (\$) | 2005 (\$) | 2004 (\$) |
| Current Assets | | | | | |
| Cash assets | 9 | 1,593,582 | 788,735 | 788,752 | 788,735 |
| Receivables | 10 | 167,133 | 26,808 | 263,508 | 26,808 |
| Other | 11 | 13,697 | 1,186 | 1,804 | 1,186 |
| Total Current Assets | | <u>1,774,412</u> | <u>816,729</u> | <u>1,054,064</u> | <u>816,729</u> |
| Non-Current Assets | | | | | |
| Receivables | 12 | - | - | 3,914,567 | - |
| Investments | 13 | - | - | 31,818 | - |
| Other financial assets | 14 | 66,871 | - | 66,871 | - |
| Plant and equipment | 15 | 47,884 | 36,612 | 47,884 | 36,612 |
| Deferred exploration costs | 16 | 5,501,565 | 859,426 | 812,105 | 859,426 |
| Total Non-Current Assets | | <u>5,616,320</u> | <u>896,038</u> | <u>4,873,245</u> | <u>896,038</u> |
| TOTAL ASSETS | | <u>7,390,732</u> | <u>1,712,767</u> | <u>5,927,309</u> | <u>1,712,767</u> |
| Current Liabilities | | | | | |
| Payables | 17 | 2,084,148 | 105,382 | 131,651 | 105,382 |
| Provisions | 18 | 18,126 | 8,395 | 18,126 | 8,395 |
| Total Current Liabilities | | <u>2,102,274</u> | <u>113,777</u> | <u>149,777</u> | <u>113,777</u> |
| TOTAL LIABILITIES | | <u>2,102,274</u> | <u>113,777</u> | <u>149,777</u> | <u>113,777</u> |
| NET ASSETS | | <u>5,288,458</u> | <u>1,598,990</u> | <u>5,777,532</u> | <u>1,598,990</u> |
| EQUITY | | | | | |
| Contributed equity | 19 | 7,445,111 | 3,479,266 | 7,445,111 | 3,479,266 |
| Reserves | 20 | 854,375 | - | 854,375 | - |
| Accumulated losses | 20 | (3,011,028) | (1,880,276) | (2,521,954) | (1,880,276) |
| TOTAL EQUITY | | <u>5,288,458</u> | <u>1,598,990</u> | <u>5,777,532</u> | <u>1,598,990</u> |

STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2005

| | Notes | CONSOLIDATED | | COMPANY | |
|---|-------|--------------|--------------|--------------|--------------|
| | | 2005 (\$) | 2004 (\$) | 2005 (\$) | 2004 (\$) |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Receipts from customers | | 320,655 | 154,500 | 560,655 | 154,500 |
| Payments to suppliers and employees | | (926,703) | (598,242) | (913,569) | (598,242) |
| Interest received | | 32,194 | 61,339 | 32,194 | 61,339 |
| Expenditure on mineral interests | | (1,463,292) | (1,036,265) | (288,547) | (1,036,265) |
| Net cashflows used in operating activities | 8 | (2,037,146) | (1,418,668) | (609,267) | (1,418,668) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Security deposit | | (66,871) | - | (66,871) | - |
| Purchase of equipment | | (23,778) | (36,444) | (23,778) | (36,444) |
| Joint venture contribution | | 1,050,000 | - | - | - |
| Investments in subsidiaries | | - | - | (31,818) | - |
| Advances to related parties | | - | - | (1,265,094) | - |
| Net cashflows from (used in) investing activities | | 959,351 | (36,444) | (1,387,561) | (36,444) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Proceeds from issue of ordinary shares | | 2,008,500 | 2,500 | 2,008,500 | 2,500 |
| Share issue costs | | (11,655) | - | (11,655) | - |
| Net cashflows from financing activities | | 1,996,845 | 2,500 | 1,996,845 | 2,500 |
| Net increase (decrease) in cash held | | 919,050 | (1,452,612) | 17 | (1,452,612) |
| Cash at beginning of period | | 788,735 | 2,241,347 | 788,735 | 2,241,347 |
| Effects of exchange rate changes on cash | | (114,203) | - | - | - |
| Cash at end of period | 9 | 1,593,582 | 788,735 | 788,752 | 788,735 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2005

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) Principles of Consolidation

The consolidated financial statements are those of the consolidated entity, comprising Vulcan Resources Limited (the parent company) and all entities that Vulcan Resources Limited controlled from time to time during the year and at reporting date.

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits from inter-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

(c) Foreign Currencies

Translation of foreign currency transactions

Translations in foreign currencies of entities within the consolidated entity are converted to local currency at the rate of exchange ruling at the date of transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

Translation of financial reports of overseas operations

The assets and liabilities of overseas controlled entities (being integrated foreign operations) are translated using the temporal method. Any exchange difference arising on translation of foreign currencies are taken directly to the statement of financial performance account.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2005

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) 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.

(e) 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.

Overhead Income

Overhead income is recognised in the period in which the service is provided.

(f) 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.

(g) 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:

| | 2005 | 2004 |
|-----------------------|----------|----------|
| Computers | 3 years | 3 years |
| Exploration equipment | 10 years | 10 years |
| Office equipment | 15 years | 15 years |

(h) 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 to the consolidated entity.

Payables to related parties are carried at the principal amount.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2005

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(i) 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.

Receivables from related parties are recognised and carried at the nominal amount.

(j) 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.

(k) 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 28 is not being recognised as an employee benefits expense.

(l) Contributed Equity

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2005

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) 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 is 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.

(n) Recoverable Amount

Non-current assets measured using the cost basis 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.

(o) 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.

(p) 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.

(q) Comparatives

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2005

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(r) 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;
 - 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.

(s) Investments

Investments are carried at the lower of cost and recoverable amount.

| NOTE 2 REVENUE FROM ORDINARY ACTIVITIES | CONSOLIDATED | | COMPANY | |
|---|--------------|--------------|--------------|--------------|
| | 2005 (\$) | 2004 (\$) | 2005 (\$) | 2004 (\$) |
| Revenues from non-operating activities | | | | |
| Interest received | 32,194 | 61,339 | 32,194 | 61,339 |
| Rental income | 83,000 | 174,000 | 83,000 | 174,000 |
| Royalty settlement | 232,000 | - | 232,000 | - |
| Overhead income | - | - | 240,000 | - |
| | 347,194 | 235,339 | 587,194 | 235,339 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2005

| NOTE 3 EXPENSES AND LOSSES/(GAINS) | CONSOLIDATED | | COMPANY | |
|---|------------------|------------------|------------------|------------------|
| | 2005 (\$) | 2004 (\$) | 2005 (\$) | 2004 (\$) |
| (a) Expenses from ordinary activities | | | | |
| Depreciation | 12,506 | 6,150 | 12,506 | 6,150 |
| (b) Other expenses from ordinary activities | | | | |
| Corporate expenses | 514,369 | 158,669 | 442,910 | 158,669 |
| Occupancy and related expenses | 97,765 | 56,947 | 92,869 | 56,947 |
| Operating lease rental | 75,380 | 107,858 | 75,380 | 107,858 |
| Staff expenses | 339,436 | 282,275 | 339,436 | 282,275 |
| Exploration provided for | - | 2,663 | - | 2,663 |
| Exploration expenditure previously capitalised written off | 70,388 | 99,476 | 70,388 | 99,476 |
| Exploration expenditure expensed during the period | 195,383 | 1,013,828 | 195,383 | 1,013,828 |
| Loss on translation of foreign currencies | 5,894 | - | - | - |
| Exchange rate losses | 166,825 | - | - | - |
| Total other expenses from ordinary activities | <u>1,465,440</u> | <u>1,721,716</u> | <u>1,216,366</u> | <u>1,721,716</u> |

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>1,130,752</u> | <u>1,492,527</u> | <u>641,678</u> | <u>1,492,527</u> |
| Prima facie tax benefit on profit (loss) from ordinary activities before income tax at 30% | 339,226 | 447,758 | 192,503 | 447,758 |
| Non – deductible expenditure | (47,810) | (338,808) | (47,810) | (338,808) |
| Tax losses not brought to account as future income tax benefit | <u>(291,416)</u> | <u>(108,950)</u> | <u>(144,693)</u> | <u>(108,950)</u> |
| Income tax expense attributable to loss from ordinary activities before income tax expense | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2005

NOTE 4 INCOME TAX EXPENSES *(cont'd)*

Unbooked Future Income Tax Benefits

The Company has accumulated Australian tax losses of \$2,323,518 (2004: \$1,834,891).

The potential future income tax benefit of the consolidated entity's losses 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 of Specified Directors

Remuneration policy

The Board is responsible for determining and reviewing compensation arrangements for the directors, the Managing Director and the senior management team. The Board assesses the appropriateness of the nature and amount of remuneration of directors and senior managers 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 management team.

| Director | Base Salary | | Superannuation | | Other Cash Benefits ² | | Options | | Total | |
|--------------------------|----------------|---------------|----------------|--------------|----------------------------------|---------------|-----------|-----------|----------------|----------------|
| | \$ | | \$ | | \$ | | | | | |
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| M Blakiston ¹ | 15,000 | -- | 1,350 | -- | -- | -- | -- | -- | 16,350 | -- |
| A Cowden | 149,028 | 99,000 | 13,456 | 9,000 | -- | -- | -- | -- | 162,484 | 108,000 |
| B Dickson | -- | -- | -- | -- | 92,640 | 78,000 | -- | -- | 92,640 | 78,000 |
| TOTAL | 164,028 | 99,000 | 14,806 | 9,000 | 92,640 | 78,000 | -- | -- | 271,474 | 186,000 |

1. Chatsworth Stirling Pty Ltd a company in which Mr Blakiston is a shareholder and director, received fees totalling \$8,000 (2004: \$24,000) for corporate advice. In addition Blakiston & Crabb, an entity of which Mr Blakiston is a partner, received fees totalling \$26,112 (2004: \$57,485) for legal advice.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2005

NOTE 5 DIRECTOR AND EXECUTIVE DISCLOSURES (cont'd)

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 \$92,640 (2004: \$78,000) for the provision of services.

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

(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.

| | Balance at 1 July 2004 | Granted as Remuneration | Net Change Other | Balance at 30 June 2005 |
|------------------------|---------------------------|----------------------------|---------------------|----------------------------|
| <i>Shareholdings</i> | | | | |
| A Cowden | 2,985,700 | - | - | 2,985,700 |
| M Blakiston | 2,429,150 | - | (817,588) | 1,611,562 |
| B Dickson | 1,857,150 | - | - | 1,857,150 |
| | <u>7,272,000</u> | <u>-</u> | <u>817,588</u> | <u>6,454,512</u> |
| <i>Option Holdings</i> | | | | |
| A Cowden | 3,208,550 | - | - | 3,208,550 |
| M Blakiston | 2,356,575 | - | 192,000 | 2,548,575 |
| B Dickson | 2,070,575 | - | - | 2,070,575 |
| | <u>7,635,700</u> | <u>-</u> | <u>192,000</u> | <u>7,827,700</u> |

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 | CONSOLIDATED | | COMPANY | |
|--|---------------|---------------|---------------|---------------|
| | 2005 (\$) | 2004 (\$) | 2005 (\$) | 2004 (\$) |
| Amounts received or due and receivable by Ernst & Young Australia | | | | |
| An audit or review of the financial report of the Company | 13,000 | 10,450 | 13,000 | 10,450 |
| Other services in relation to the Company | | | | |
| - tax compliance | 3,750 | 8,635 | 3,750 | 8,635 |
| - experts report | - | 32,450 | - | 32,450 |
| - corporate advice | 50,800 | - | 50,800 | - |
| | <u>67,550</u> | <u>51,535</u> | <u>67,550</u> | <u>51,535</u> |
| - Services provided by other Ernst & Young offices | 18,290 | 13,573 | - | 13,573 |
| | <u>85,840</u> | <u>65,108</u> | <u>67,550</u> | <u>65,108</u> |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2005

| | CONSOLIDATED | | COMPANY | |
|--|--------------|--------------|--------------|--------------|
| NOTE 7 LOSS PER SHARE | 2005 (\$) | 2004 (\$) | 2005 (\$) | 2004 (\$) |
| The following reflects the income and share data used in the calculation of basic and diluted loss per share | | | | |
| Net Loss | (1,130,752) | (1,492,527) | (641,678) | (1,492,527) |
| Adjustments: | | | | |
| - Nil | - | - | - | - |
| - Earnings used in calculating basic and diluted earnings per share | (1,130,752) | (1,492,527) | (641,678) | (1,492,527) |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 25,140,356 | 25,140,356 | 37,002,356 | 25,140,356 |
| Effective of dilutive securities: | | | | |
| - Share options (i) | - | - | - | - |
| Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share | 25,140,356 | 25,140,356 | 37,002,356 | 25,140,356 |

- (i) The Company has 35,790,001 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 29,000 ordinary shares have been issued pursuant to the exercise of options.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2005

| NOTE 8 CASH FLOW INFORMATION | CONSOLIDATED | | COMPANY | |
|--|------------------|------------------|----------------|------------------|
| | 2005 (\$) | 2004 (\$) | 2005 (\$) | 2004 (\$) |
| (a) Reconciliation of Cash Flow from Operations with Loss from ordinary activities after Income Tax: | | | | |
| Loss from ordinary activities after Income Tax | 1,130,752 | 1,492,527 | 641,678 | 1,492,527 |
| Adjustments for non-cash income and expense items | | | | |
| - Depreciation | (12,506) | (6,150) | (12,506) | (6,150) |
| - Exploration expenditure written off | (70,388) | (102,138) | (70,389) | (102,138) |
| - Provision for employee benefits | (18,126) | (8,395) | (18,126) | (8,395) |
| - Unrealised foreign exchange loss | (166,825) | - | - | - |
| - Foreign currency translation | (5,894) | - | - | - |
| Changes in Assets and Liabilities | | | | |
| - (Increase)/decrease in prepayments | 618 | 30 | 618 | 30 |
| - (Increase)/decrease in receivables | (10,235) | 17,369 | (10,236) | 17,369 |
| - Increase in capitalised exploration | 1,198,262 | 95,423 | 23,518 | 95,423 |
| - (Decrease)/increase in payables | (8,512) | (69,998) | 54,710 | (69,998) |
| Cash Out Flow from Operations | <u>2,037,146</u> | <u>1,418,668</u> | <u>609,267</u> | <u>1,418,668</u> |

- (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 | <u>1,593,582</u> | <u>788,735</u> | <u>788,752</u> | <u>788,735</u> |
|-------------|------------------|----------------|----------------|----------------|

NOTE 10 CURRENT RECEIVABLES

| | | | | |
|----------------------------------|----------------|---------------|----------------|---------------|
| Trade debtors | 167,133 | 26,808 | 13,856 | 26,808 |
| Wholly-owned controlled entities | - | - | 249,652 | - |
| | <u>167,133</u> | <u>26,808</u> | <u>263,508</u> | <u>26,808</u> |

Terms and Conditions

Trade debtors and receivables from wholly-owned controlled entities are non-interest bearing and generally on 30 day terms.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2005

| NOTE 11 OTHER CURRENT ASSETS | NOTES | CONSOLIDATED | | COMPANY | |
|------------------------------|-------|--------------|--------------|--------------|--------------|
| | | 2005 (\$) | 2004 (\$) | 2005 (\$) | 2004 (\$) |
| Prepayments | | 13,697 | 1,186 | 1,804 | 1,186 |

NOTE 12 NON CURRENT RECEIVABLES

| | | | | | |
|--------------------------------------|----|---|---|-----------|---|
| Wholly-owned controlled entities (a) | 26 | - | - | 3,914,567 | - |
|--------------------------------------|----|---|---|-----------|---|

(a) Receivables from wholly-owned controlled entities are interest free.

NOTE 13 INVESTMENTS

| | | | | | |
|--|--|---|---|--------|---|
| Investments in wholly owned subsidiary companies | | - | - | 31,818 | - |
|--|--|---|---|--------|---|

Interests in Subsidiaries

| Name | Country of Incorporation | Percentage of Equity Interest Held by the Consolidated Entity | | Investment | |
|------------------------------|--------------------------|---|------|----------------------|------|
| | | 2005 | 2004 | 2005 | 2004 |
| | | % | % | \$ | \$ |
| Vulcan Finland (BVI) Limited | British Virgin Islands | 100 | - | 26 | - |
| Kuhmo Nickel plc | United Kingdom | 100 | - | 31,792 | - |
| Kylylahti Copper Oy | Finland | 100 | - | 14,210 ⁺ | - |
| Kuhmo Metals Oy | Finland | 100 | - | 14,210 ⁺⁺ | - |
| | | | | 60,238 | - |

⁺ Kylylahti Copper Oy is a wholly owned subsidiary of Vulcan Finland (BVI) Limited and the investment is held by Vulcan Finland (BVI)

⁺⁺ Kuhmo Metals Oy is a wholly owned subsidiary of Kuhmo Nickel plc and the investment is held by Kuhmo Nickel plc

NOTE 14 OTHER FINANCIAL ASSETS

| | | | | | |
|------------------|-----|--------|---|--------|---|
| Security Deposit | (a) | 66,871 | - | 66,871 | - |
|------------------|-----|--------|---|--------|---|

(a) Represents cash bond required for lease of office premises.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2005

| NOTE 15 PLANT AND EQUIPMENT | NOTES | CONSOLIDATED | | COMPANY | |
|--------------------------------------|-------|---------------|---------------|---------------|---------------|
| | | 2005 (\$) | 2004 (\$) | 2005 (\$) | 2004 (\$) |
| Equipment at cost | | 68,269 | 44,491 | 68,269 | 44,491 |
| Accumulated depreciation | | (20,385) | (7,879) | (20,385) | (7,879) |
| | 15(a) | <u>47,884</u> | <u>36,612</u> | <u>47,884</u> | <u>36,612</u> |
| (a) Movements in plant and equipment | | | | | |
| Carrying amount at beginning | | 36,612 | 6,318 | 36,612 | 6,318 |
| - Additions | | 23,778 | 36,444 | 23,778 | 36,444 |
| - Depreciation | | (12,506) | (6,150) | (12,506) | (6,150) |
| - Closing Balance | | <u>47,884</u> | <u>36,612</u> | <u>47,884</u> | <u>36,612</u> |

NOTE 16 DEFERRED EXPLORATION AND EVALUATION 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 | | 859,426 | 874,414 | 859,426 | 874,414 |
| - Acquired during the year | | 2,724,757 | - | - | - |
| - Expenditure for the year | | 1,987,770 | 87,151 | 23,067 | 87,151 |
| - Amounts provided for during the year | | - | (2,663) | - | (2,663) |
| - Carrying value of tenements relinquished during the year | | (70,388) | (99,476) | (70,388) | (99,476) |
| Balance at the end of the year | | <u>5,501,565</u> | <u>859,426</u> | <u>812,105</u> | <u>859,426</u> |

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

NOTE 17 CURRENT PAYABLES

| | | | | | |
|-----------------|-----|------------------|----------------|----------------|----------------|
| Trade creditors | (a) | 1,034,148 | 105,382 | 131,651 | 105,382 |
| Unearned income | (b) | 1,050,000 | - | - | - |
| | | <u>2,084,148</u> | <u>105,382</u> | <u>131,651</u> | <u>105,382</u> |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2005

NOTE 17 CURRENT PAYABLES (cont'd)

| | NOTES | CONSOLIDATED | | COMPANY | |
|---|-------|--------------|---------------|--------------|---------------|
| | | 2005 (\$) | 2004 (\$) | 2005 (\$) | 2004 (\$) |
| Aggregate amounts payable to related parties: | | | | | |
| Director and director related entities | | | | | |
| - Directors | 26 | - | 244 | - | 244 |
| - Director related entities | 26 | 9,163 | 12,045 | 9,163 | 12,045 |
| | | <u>9,163</u> | <u>12,289</u> | <u>9,163</u> | <u>12,289</u> |

(a) **Terms and Conditions**

Trade creditors, including related party creditors, are non-interest bearing and generally on 30 day terms.

- (b) Unearned income represents advances made by Cambrian Mining plc to earn a 40% interest in the Kuhmo-Suomussalmi nickel project. Upon Cambrian contributing \$1,500,000 towards nickel exploration the amount contributed will be converted to a 40% interest in Kuhmo Nickel plc.

NOTE 18 PROVISIONS

| | | | | |
|-------------------|---------------|--------------|---------------|--------------|
| Employee benefits | <u>18,126</u> | <u>8,395</u> | <u>18,126</u> | <u>8,395</u> |
|-------------------|---------------|--------------|---------------|--------------|

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2005

| NOTE 19 CONTRIBUTED EQUITY | CONSOLIDATED | | COMPANY | |
|--|------------------|------------------|------------------|------------------|
| | 2005 (\$) | 2004 (\$) | 2005 (\$) | 2004 (\$) |
| (a) Issued and paid up capital | | | | |
| Ordinary shares fully paid | <u>7,445,111</u> | <u>3,479,266</u> | <u>7,445,111</u> | <u>3,479,266</u> |
| (b) Movements in shares on issue | | | | |
| Ordinary shares at beginning of period 25,144,000 (2004: 25,134,000) | 3,479,266 | 3,476,766 | 3,479,266 | 3,476,766 |
| Conversion of 10,000 options at 25 cents | - | 2,500 | - | 2,500 |
| Issue of 3,700,000 shares at 10 cents per share | 370,000 | - | 370,000 | - |
| Issue of 7,500,000 shares at 26.5 cents per share to purchase mineral tenements | 1,987,500 | - | 1,987,500 | - |
| Issue of 9,000,000 shares at 18 cents per share | 1,620,000 | - | 1,620,000 | - |
| Issue of 500,000 shares at 18 cents per share in lieu of fees | 90,000 | - | 90,000 | - |
| Less cost of share issue | (101,655) | - | (101,655) | - |
| At reporting date: 45,844,000 (2004: 25,144,000) ordinary shares | <u>7,445,111</u> | <u>3,479,266</u> | <u>7,445,111</u> | <u>3,479,266</u> |

(c) Share Options

Options over ordinary shares at balance date are:

| Description | Exercise Price | Balance at start of year | Issued | Lapsed | Balance at end of year |
|-----------------------------------|----------------|--------------------------|-------------------|----------------|------------------------|
| Listed options expire 31 Dec 05 | \$0.25 | 12,100,001 | 4,500,000 | - | 16,600,001 |
| Unlisted options expire 31 Dec 05 | \$0.25 | 300,000 | - | 250,000 | 50,000 |
| Employee options expire 30 Jun 07 | \$0.20 | - | 750,000 | - | 750,000 |
| Employee options expire 30 Jun 07 | \$0.26 | - | 540,000 | - | 540,000 |
| Unlisted options expire 30 Jun 07 | \$0.20 | 4,000,000 | 8,850,000 | - | 12,850,000 |
| Unlisted options expire 30 Jun 08 | \$0.20 | - | 2,500,000 | - | 2,500,000 |
| Unlisted options expire 30 Jun 09 | \$0.20 | - | 2,500,000 | - | 2,500,000 |
| Total | | 16,400,001 | 19,640,000 | 250,000 | 35,790,001 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2005

NOTE 19 CONTRIBUTED EQUITY *(cont'd)*

(d) Terms and conditions of contributed equity

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

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

| NOTE 20 RESERVES AND ACCUMULATED LOSSES | CONSOLIDATED | | COMPANY | |
|--|------------------------|--------------------|--------------------|--------------------|
| | 2005 (\$) | 2004 (\$) | 2005 (\$) | 2004 (\$) |
| Share option reserve | (a) <u>854,375</u> | <u>-</u> | <u>854,375</u> | <u>-</u> |
| Accumulated losses | (b) <u>(3,005,134)</u> | <u>(1,880,276)</u> | <u>(2,521,954)</u> | <u>(1,880,276)</u> |
| (a) Share Option Reserve | | | | |
| (i) <i>Nature and purpose of reserve</i> | | | | |
| The share option reserve represents value of options issued as part consideration for the acquisition of mineral tenements | | | | |
| (ii) <i>Movements in reserve</i> | | | | |
| Balance at beginning of year | - | - | - | - |
| Issue of options | <u>854,375</u> | <u>-</u> | <u>854,375</u> | <u>-</u> |
| Balance at end of year | <u>854,375</u> | <u>-</u> | <u>854,375</u> | <u>-</u> |
| (b) Accumulated losses | | | | |
| Balance at beginning of period | (1,880,276) | (387,749) | (1,880,276) | (387,749) |
| Net loss attributable to members of Vulcan Resources Limited | <u>(1,130,752)</u> | <u>(1,492,527)</u> | <u>(641,678)</u> | <u>(1,492,527)</u> |
| Balance at end of year | <u>(3,011,028)</u> | <u>(1,880,276)</u> | <u>(2,521,954)</u> | <u>(1,880,276)</u> |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2005

| NOTE 21 EXPENDITURE COMMITMENTS | CONSOLIDATED | | COMPANY | |
|---|--------------|--------------|--------------|--------------|
| | 2005 (\$) | 2004 (\$) | 2005 (\$) | 2004 (\$) |
| (a) Capital expenditure commitments | | | | |
| <p>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.</p> | | | | |
| (b) Lease expenditure commitments | | | | |
| <p>The Company has entered into a lease agreement to lease it's office space for five years commencing 1 April 2005. The lease has no renewal, escalation or purchase arrangements nor are there any contingent rental payments.</p> | | | | |
| Payable within 1 year | 88,682 | 45,378 | 88,682 | 45,378 |
| Later than 1 year and not later than 5 years | 361,543 | - | 361,543 | - |
| Later than 5 years | - | - | - | - |
| | 450,225 | 45,378 | 450,225 | 45,378 |

NOTE 22 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 2005 approximately \$560,010 had been expended towards this commitment.

Rogers Joint Venture

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

Kuhmo-Suomussalmi Joint Venture

This is a 95% owned joint venture with Dragon Mining NL's subsidiary Polar Mining Oy which holds a free carried 5% interest. In addition the group has entered into an agreement with Cambrian Mining plc which will contribute \$1.5 million to acquire a 40% interest in the wholly owned subsidiary Kuhmo Nickel plc.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2005

NOTE 22 JOINT VENTURE (cont'd)

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

| | CONSOLIDATED | | COMPANY | |
|---------------------------------|--------------|--------------|--------------|--------------|
| | 2005 (\$) | 2004 (\$) | 2005 (\$) | 2004 (\$) |
| Capitalised exploration | | | | |
| Rogers Joint Venture | - | - | - | - |
| Edjudina Avoca Joint Venture | 7,613 | 23,694 | 7,613 | 23,694 |
| Zeedam Joint Venture | - | 6,538 | - | 6,538 |
| Yerilla Joint Venture | - | 416,864 | - | 416,864 |
| Kuhmo-Suomussalmi Joint Venture | 1,752,332 | - | - | - |

NOTE 23 SEGMENTS

The Company operates only in one business segment, being the business of mineral exploration and development. Geographically, as at 30 June 2005, the Company's activities were conducted in Finland and Western Australia.

| Results | Australia | | Finland | | Eliminations | | Consolidated | |
|---------------------|-----------|-------------|-------------|------|--------------|------|--------------|-------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Segment revenue | 587,194 | 235,339 | - | - | (240,000) | - | 347,194 | 35,339 |
| Segment result | (641,678) | (1,492,527) | (243,180) | - | (245,874) | - | (1,130,752) | (1,492,527) |
| Segment assets | 2,012,741 | 1,712,767 | 7,807,052 | - | (2,429,588) | - | 7,390,205 | 1,712,767 |
| Segment liabilities | (149,776) | (113,777) | (2,202,150) | - | (249,652) | - | (2,102,274) | (113,777) |
| Depreciation | (12,506) | (6,150) | - | - | - | - | (12,506) | (6,150) |

NOTE 24 CONTINGENT LIABILITIES

Native Title

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

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

NOTE 25 EVENTS SUBSEQUENT TO REPORTING DATE

Since the end of the financial year Vulcan Resources Limited has issued 5,500,000 ordinary shares at \$0.30 each to raise \$1,650,000. No other matter or circumstance has arisen which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial periods.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2005

NOTE 26 RELATED PARTY TRANSACTIONS

Ultimate Parent

Vulcan Resources Limited is the ultimate parent company.

Wholly-Owned Group Transactions

Vulcan Resources Limited has made loans to wholly-owned subsidiaries. The loans are interest free and at the date of this report no repayment schedule has been agreed.

Other Related Party Transactions

During the financial year rental income of \$78,000 was received from Rox Resources Limited, a company of which Alistair Cowden and Michael Blakiston are directors.

At balance date \$9,163 (2004: \$12,045) was owed to companies associated with directors

NOTE 27 FINANCIAL INSTRUMENTS DISCLOSURE

(a) Interest Rate Risk

The consolidated entity'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:

| 2005 | Floating Interest Rate | Non Interest Bearing | Total | Weighted Average Interest Rate |
|-----------------------------|---------------------------|-------------------------|------------------|--------------------------------------|
| Financial Assets | | | | |
| Cash | 681,335 | 912,247 | 1,593,582 | 5.02% |
| Trade Debtors | - | 167,133 | 167,133 | N/A |
| Total Financial Assets | <u>681,335</u> | <u>1,079,380</u> | <u>1,760,715</u> | |
| Financial Liabilities | | | | |
| Payables | - | 2,084,148 | 2,084,148 | N/A |
| Total Financial Liabilities | <u>-</u> | <u>2,084,148</u> | <u>2,084,148</u> | |
| | | | | |
| 2004 | | | | |
| Financial Assets | | | | |
| Cash | 739,140 | 49,595 | 788,735 | 4.7% |
| Trade Debtors | - | 26,808 | 26,808 | N/A |
| Total Financial Assets | <u>739,140</u> | <u>76,403</u> | <u>815,543</u> | |
| Financial Liabilities | | | | |
| Payables | - | 105,382 | 105,382 | N/A |
| Total Financial Liabilities | <u>-</u> | <u>105,382</u> | <u>105,382</u> | |

(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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2005

NOTE 27 FINANCIAL INSTRUMENTS DISCLOSURE *(cont)*

(c) Net Fair Values

For assets and liabilities the net fair value approximates their carrying value because of their short term to maturity.

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

| NOTE 28 EMPLOYEE BENEFITS | CONSOLIDATED | | COMPANY | |
|---------------------------|--------------|--------------|--------------|--------------|
| | 2005 (\$) | 2004 (\$) | 2005 (\$) | 2004 (\$) |

Employee Benefits

The aggregate employee benefit liability is comprised of:

| | | | | |
|------------------------|--------|-------|--------|-------|
| - provisions (current) | 18,126 | 8,395 | 18,126 | 8,395 |
|------------------------|--------|-------|--------|-------|

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 29 IMPACT OF ADOPTING AASB EQUIVALENTS TO IFRS STANDARDS

Vulcan Resources Limited is in the process of transitioning its accounting policies and financial reporting from current Australian Accounting Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS) which will be applicable for the financial year ended 30 June 2006.

The Company 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 are expected to change on adoption of AIFRS and our best estimate of the quantitative impact on the changes on total equity as at the date of transition and 30 June 2005 and on net loss for the year ended 30 June 2005.

The figures disclosed are managements best estimate of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to (a) ongoing work being undertaken on the transition to AIFRS; (b) potential amendments to AIFRS's and Interpretations there of being issued by the standard setters and IFRIC; and (c) emerging accepted practice in the interpretation and application of AIFRS and UIG Interpretations.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2005

NOTE 29 IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS (cont'd)

Impairment of Assets

Under AASB136 *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 undiscounted 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. The Company has determined that no impairment adjustments are necessary either for the parent or the consolidated entity on transition to AIFRS.

Share Based Payments

Under AASB 2 *Share Based Payments*, the Company from 1 July 2004 will be required to recognise the fair value of 1,290,000 options granted to employees after 7 November 2002, but had not vested by 1 January 2005 as an expense in the consolidated and parent entity. This will result in a change to the current accounting policy under which no expense is recognised for equity based payments under AGAAP.

The Company will be required to recognise the expense on a pro-rata basis over the vesting period in the income statement with a corresponding adjustment to equity.

If the policy required by AASB 2 had been applied during the year ended 30 June 2005, consolidated and parent entity retained profits at 30 June 2005 would have been lower, with a corresponding increase in the share-based payment reserve. For the year ended 30 June 2005, the consolidated and parent entity salary and employee benefit expense would have been higher. The company is currently analysing this difference and its impact on AFRIS adjustments. Once the AIFRS adjustment process is complete the effect of the adoption of AASB2 can be reliably quantified. The AASB 2 required change in accounting policy does not affect the opening balance sheet of the consolidated and parent entity as at 1 July 2004 since the Company elected to apply the exemption under AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* not to expense options granted before 7 November 2002 or granted after 7 November 2002 but vested before 1 January 2005.

Income Taxes

Under AASB 112 *Income Taxes*, the Company will be required to use a balance sheet liability method which focusses 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. After assessing the major changes relating to the transition to AIFRS, the Company is now in the process of assessing the differences, however, it is not expected that there will be any further material impact as a result of adoption of this standard.

Exploration

AASB 6 *Exploration for and Evaluation of Mineral Resources* will require the Company to apply 'area of interest' accounting to its exploration and evaluation expenditures, effectively grandfathering the treatment currently used by the Company under AASB 1022 *Accounting for Extractive Industries*. Under AASB 6, if facts and circumstances suggest that the carrying amount of any recognised exploration and evaluation assets may be impaired, the Company must perform impairment tests on those assets in accordance with AASB 136 *Impairment of Assets*. Impairment of exploration and evaluation assets is to be assessed at a cash generating unit or group of cash generating units level provided this is no larger than an area of interest. Any impairment loss is to be recognised as an expense in accordance with AASB 136. The Company has analysed its deferred exploration and evaluation expenditure for both the parent and the consolidated entity and is satisfied that no expenses were deferred which were incurred before licence was granted. As a result of this analysis there is no impact from adopting AASB 6.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2005

NOTE 29 IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS (cont'd)

Financial Instruments

The Company will be taking advantage of the exemption available under AASB 1 to apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* only from 1 July 2005. This allows the Company to apply previous Australian generally accepted accounting principles ("AGAAP") to the comparative information of financial instruments within scope of AASB 132 and AASB 139 for the 30 June 2006 financial report.

Under AASB 139, financial assets held by entities in the consolidated entity will be classified as either at fair value through the profit or loss, held to maturity, available for sale or loans and receivables and depending upon classification, measured at fair value or amortised cost.

Under AASB 139, the Company's investments will be classified as available for sale and measured at fair value, with changes in fair value recognised directly in equity until disposal. This will result in a change to the current accounting policy, under which financial assets are carried at the lower of cost and recoverable amount, with changes recognised in the profit or loss.

As a result of the application of the exemption referred to above, there will be no adjustment to classification or measurement of financial assets or liabilities both to the consolidated and parent entity from the application of AIFRS at the date of transition and during the year ended 30 June 2005. Changes in classification and measurement will be recognised from 1 July 2005.

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 and of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; 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.
2. This declaration is made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2005.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'Alistair Cowden', followed by a long horizontal line extending to the right.

Alistair Cowden

Perth, 30 September 2005

Independent audit report to members of Vulcan Resources Limited

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) and the consolidated entity, for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

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 the consolidated entity, 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 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 and the consolidated entity's financial position, and of their performance as represented by the results of their 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 the consolidated entity and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration a copy of which is included in the Directors' Report. 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.

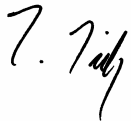
Audit opinion

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 and the consolidated entity at 30 June 2005 and of their 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
30 September 2005

SCHEDULE OF MINING TENEMENTS

Western Australia

| Project | Tenement | Status | Interest |
|--------------------------|------------|-------------|-------------|
| MULGABBIE | E28/989 | Owned | 100% |
| | MLA 28/310 | Application | 100% |
| | MLA 28/311 | Application | 100% |
| EDJUDINA AVOCA JV | E31/465 | Owned | Earning 80% |
| | E31/479 | Owned | Earning 80% |
| | E31/524 | Owned | Earning 80% |
| | ELA31/618 | Application | Earning 80% |
| EDJUDINA | ELA39/884 | Application | 100% |
| | ELA31/536 | Owned | Earning 70% |
| | ELA39/850 | Owned | 100% |
| YERILLA | E39/801 | Owned | 100% |
| | ELA31/676 | Application | 100% |
| | MLA 39/953 | Application | 100% |
| | MLA 39/544 | Application | 100% |
| YINDI | ELA28/932 | Application | 100% |
| PINJIN | ELA28/1142 | Application | 100% |

Key to Tenement Schedule:

- E - Exploration Licence
- M - Mining Lease
- P - Prospecting Licence
- ELA - Exploration Licence Application
- MLA - Mining Lease Application

Finland

| Project | Tenement | Status | Interest |
|------------------|----------|----------------|----------|
| KYLYLAHTI | 3593 | Mining Licence | 100% |
| | 3593 | Mining Licence | 100% |
| | 3593 | Mining Licence | 100% |
| | 7799/1 | Claim | 100% |
| | 7799/2 | Claim | 100% |
| | 7799/3 | Claim | 100% |
| | 7799/4 | Claim | 100% |

SCHEDULE OF MINING TENEMENTS

| Project | Tenement | Status | Interest |
|------------------------------|----------|-------------|----------|
| OTHER COPPER PROJECTS | 7914/1 | Claim | 100% |
| | 7906/1 | Claim | 100% |
| | 7906/2 | Claim | 100% |
| | 7906/3 | Claim | 100% |
| | 7906/4 | Claim | 100% |
| | 7906/5 | Claim | 100% |
| | 200566 | Reservation | 100% |

| Project | Tenement | Status | Interest |
|--------------------------|----------|-------------------|------------------|
| KUHMO-SUOMUSSALMI | 6586/1 | Claim | Right to Explore |
| | 7178/1 | Claim | Right to Explore |
| | 7177/1 | Claim | Right to Explore |
| | 7170/1 | Claim | Right to Explore |
| | 7169/1 | Claim | Right to Explore |
| | 7179/1 | Claim | Right to Explore |
| | 7171/1 | Claim | Right to Explore |
| | 7256/1 | Claim | Right to Explore |
| | 7256/2 | Claim | Right to Explore |
| | 7451/1 | Claim | Right to Explore |
| | 7645/1 | Claim | Right to Explore |
| | 7871/1 | Claim | Right to Explore |
| | 7014/1 | Claim | 95% |
| | 7014/2 | Claim | 95% |
| | 7500/6 | Claim | 95% |
| | 7500/7 | Claim | 95% |
| | 7500/11 | Claim | 95% |
| | 7500/16 | Claim | 95% |
| | 7457/1 | Claim | 95% |
| | 7457/4 | Claim | 95% |
| | 7553/1 | Claim | 95% |
| | 7789/1 | Claim | 95% |
| | 7923/1 | Claim | 95% |
| | 7922/1 | Claim | 95% |
| | 2004152 | Claim Reservation | 95% |
| | 2004153 | Claim Reservation | 95% |
| | 200531 | Claim Reservation | 95% |
| | 200555 | Claim Reservation | 95% |
| | 200554 | Claim Reservation | 95% |

SCHEDULE OF MINING TENEMENTS

| Project | Tenement | Status | Interest |
|----------------|-----------------|---------------|-----------------|
| TORNIO | 7677/1 | Claim | 100% |
| | 7677/2 | Claim | 100% |
| | 7677/3 | Claim | 100% |
| | 7677/4 | Claim | 100% |
| | 7677/5 | Claim | 100% |
| | 7677/6 | Claim | 100% |
| | 7677/7 | Claim | 100% |
| | 7677/8 | Claim | 100% |
| | 7677/9 | Claim | 100% |
| | 7677/10 | Claim | 100% |
| | 7677/11 | Claim | 100% |
| | 7677/12 | Claim | 100% |

OTHER INFORMATION

The following information was applicable as at 20 September 2005.

1. Shareholding

(a) Distribution of Shareholders Number

| Category (size of Holding) | Fully Paid Shares | Options |
|----------------------------|-------------------|-----------|
| 1 - 1,000 | 3 | - |
| 1,001 - 5,000 | 55 | 105 |
| 5,001 - 10,000 | 104 | 42 |
| 10,001 - 100,000 | 240 | 56 |
| 100,001 and over | <u>59</u> | <u>20</u> |
| | 461 | 223 |

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

(c) Substantial Shareholder Notices have been provided by:

| Name | Number of Shares | % of Issued Share Capital |
|---------------------|------------------|---------------------------|
| Cambrian Mining plc | 9,000,000 | 17.52 |
| Polar Mining Oy | 7,500,000 | 14.60 |

(d) Top 20 shareholders

| Name | Number of Shares | % of Issued Share Capital |
|--|-------------------|---------------------------|
| 1. Cambrian Mining plc | 9,000,000 | 17.52 |
| 2. Polar Mining Oy | 7,500,000 | 14.60 |
| 3. Drumfrochar Pty Ltd <Lynedoch A/C> | 2,969,700 | 5.78 |
| 4. Croesus Mining NL | 2,744,000 | 5.34 |
| 5. Tricom Nominees Pty Ltd <LPG A/C> | 1,155,000 | 2.25 |
| 6. Georgina Fitzroy Dickson | 1,096,800 | 2.13 |
| 7. Redbrook Nominees Pty Ltd | 999,380 | 1.95 |
| 8. Chatsworth Stirling Pty Ltd | 991,328 | 1.93 |
| 9. Mr William Brooks <Brooks Superannuation A/C> | 970,000 | 1.89 |
| 10. D H Slatyer Pty Ltd | 700,000 | 1.36 |
| 11. Mr Brett Douglas Dickson | 635,350 | 1.24 |
| 12. Mr Stuart Young Craig | 600,000 | 1.17 |
| 13. D H Slatyer Pty Ltd <The Slatyer Super Account> | 600,000 | 1.17 |
| 14. Emerald Corporation Pty Ltd <F R Blakiston #2 A/C> | 556,234 | 1.08 |
| 15. Mr John Damian Kenny <The JDK A/C> | 547,405 | 1.07 |
| 16. Davmin Pty Ltd | 500,000 | 0.97 |
| 17. Beach Corporation Pty Ltd | 450,000 | 0.88 |
| 18. Mr Danny MacDonald | 400,000 | 0.78 |
| 19. Mr Peter Martin Vanderspuy | 400,000 | 0.78 |
| 20. Sambo Holdings WA Pty Ltd | 350,000 | 0.68 |
| | <u>33,165,197</u> | <u>64.57</u> |

There is a total of 51,373,000 fully paid ordinary shares on issue, all of which are listed on the ASX. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

OTHER INFORMATION

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

| | Number of Options | % of Issued Options |
|---|----------------------|------------------------|
| 1. Cambrian Mining plc | 4,500,000 | 27.16 |
| 2. Drumfrochar Pty Ltd | 1,460,850 | 8.82 |
| 3. Chatsworth Stirling Pty Ltd | 1,378,575 | 8.32 |
| 4. Croesus Mining NL | 1,372,000 | 8.28 |
| 5. Alluvial Resources Pty Ltd | 859,375 | 5.19 |
| 6. Georgina Fitzroy Dickson | 572,500 | 3.45 |
| 7. Mr William Brooks<Brooks Superannuation A/C> | 510,000 | 3.08 |
| 8. Dukest Property & Investments Pty Ltd | 419,446 | 2.53 |
| 9. Mr Brett Douglas Dickson | 356,075 | 2.15 |
| 10. Mr Paul Robert Baster <Baster Family A/C> | 314,000 | 1.89 |
| 11. Mr Walter Horeb | 300,000 | 1.81 |
| 12. Mr David Ross l'Anson & Mrs Mary Helen l'Anson | 270,000 | 1.63 |
| 13. Mr Stuart Young Craig | 250,000 | 1.51 |
| 14. Mr Michael Kipling Mazalevskis <Micmatt Family A/C> | 222,895 | 1.35 |
| 15. Mr Joseph Roebotham Burton | 200,000 | 1.21 |
| 16. Mr P A Connelly & Mrs S M Connolly | 200,000 | 1.21 |
| 17. Mrs Susanne Wendy Reynolds | 200,000 | 1.21 |
| 18. Lisserat Pty Ltd | 176,171 | 1.06 |
| 19. Mr Jonathan Kingsley Stewart | 125,000 | 0.75 |
| 20. Mr Patrick Anthony Connolly <Family Account> | 100,000 | 0.60 |
| | 13,786,887 | 83.21 |

(f) Restricted Securities

There are no Restricted Securities.