

**VULCAN RESOURCES LIMITED**  
**ABN 60 100 072 624**

**REPORT FOR THE  
HALF-YEAR ENDED  
31 DECEMBER 2008**

# VULCAN RESOURCES LIMITED

ABN 60 100 072 624

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# VULCAN RESOURCES LIMITED

ABN 60 100 072 624

## CORPORATE INFORMATION

### Directors:

Mr Michael Blakiston  
*Chairman*

Dr Alistair Cowden  
*Managing Director*

Ms Fiona Harris  
*Non-Executive Director*

Mr Heikki Solin  
*Non-Executive Director*

### Company Secretary

Mr Eric Hughes

### Principal & Registered Office:

Ground Floor  
1 Altona Street  
West Perth 6005, Western Australia  
Telephone: +61 8 9485 2929  
Facsimile: +61 8 9486 4933  
Email: [admin@vulcanresources.com.au](mailto:admin@vulcanresources.com.au)

### Finnish Office:

Kummunkatu 34  
FIN-83500 Outokumpu  
Finland  
Telephone: +358 (50) 410 9552  
Facsimile: +358 (13) 830 228

### Auditor:

*Australia*  
Ernst & Young  
The Ernst & Young Building  
11 Mounts Bay Road  
Perth 6000, Western Australia  
Telephone: +61 8 9429 2222  
Facsimile: +61 8 9429 2436

### *Finland*

Ernst & Young  
Elielinaukio 5B  
FIN-00100 Helsinki  
Telephone: +358 9 172 771  
Facsimile: +358 9 1727 7705

### Website:

[www.vulcanresources.com.au](http://www.vulcanresources.com.au)

### Solicitors:

*Australia*  
Blakiston & Crabb  
1202 Hay Street  
West Perth 6005, Western Australia  
Telephone: +61 8 9322 7644  
Facsimile: +61 8 9322 1506

### *Finland*

Asianajotoimisto Hammarstrom Puhakka Partners Oy  
Bulevardi 1 A  
00100 Helsinki  
Telephone: +358 9 474 21  
Facsimile: +358 9 474 2324

### Bankers:

Westpac Banking Corporation  
Corner South Street and Bannister Road  
Canning Vale 6155, Western Australia

### Share Registry:

Computershare Registry Services Pty Ltd  
Level 2, Reserve Bank Building  
45 St Georges Terrace  
Perth 6000, Western Australia  
Telephone: +61 8 9323 2000  
Facsimile: +61 8 9323 2033

### Stock Exchanges:

Australian Securities Exchange Limited  
Frankfurt Stock Exchange  
Norwegian OTC

### Company Codes:

ASX: VCN  
FSE: VUA  
NOTC: VCNR

### Issued Capital:

|                                  |             |
|----------------------------------|-------------|
| Fully paid Ordinary shares       | 227,044,751 |
| Options Expiring 30/06/09 at 20c | 2,500,000   |
| Options Expiring 01/07/10 at 29c | 3,000,000   |
| Options Expiring 01/07/10 at 29c | 600,000     |
| Options Expiring 01/07/10 at 34c | 1,000,000   |
| Options Expiring 31/12/10 at 34c | 600,000     |
| Options Expiring 01/07/11 at 40c | 1,000,000   |
| Options Expiring 31/12/11 at 55c | 2,090,000   |

# **VULCAN RESOURCES LIMITED**

ABN 60 100 072 624

## **DIRECTORS REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

Your directors submit the financial report of the Company for the half-year ended 31 December 2008.

### **DIRECTORS**

The names of the Company's Directors in office during the financial period and until the date of this report are:

Mr Michael Blakiston  
Dr Alistair Cowden  
Mr Barry Eldridge (resigned 18 November 2008)  
Ms Fiona Harris  
Mr Heikki Solin

All directors have been in office since the start of the financial period to the date of this report unless stated otherwise.

### **DIVIDENDS**

No dividends were paid or declared during the half year or in the period to the date of this report.

### **PRINCIPAL ACTIVITIES**

The principal activities of the Company and its subsidiaries during the course of the half-year were the exploration and evaluation of mineral resources. There has been no change in these activities during the financial period.

### **OPERATING RESULTS**

Consolidated net loss from continuing operations after income tax for the half year was \$4,723,000 (2007: \$6,717,000). These amounts are after taking into account the change in accounting policy set out in Note 1.

### **REVIEW AND RESULTS OF OPERATIONS**

On 23 September 2008, the Company announced that the construction of the Kylylahti copper – cobalt project in Finland would be deferred, pending the recovery of the world financial and commodity markets together with the completion of necessary off-take agreements. Since that decision was taken, the markets have deteriorated further with base metal prices retreating sharply. The impact of these events are evidenced by the deferral of new projects and closure of many mines around the globe.

Since 23 September 2008, Vulcan has completed the process of shutting down development work at Kylylahti and ceasing its field exploration activities in the Outokumpu and Kuhmo regions of Finland in an effort to preserve cash resources whilst maintaining tenure to its projects. In line with the reduction of activity, Vulcan's Board has sought to aggressively reduce staffing levels and overhead costs.

Prior to Vulcan ceasing exploration and evaluation activities it conducted:

- The final and deepest hole at Kylylahti (OKU-927J) which returned an outstanding 89 metres at 1.48% copper, 0.21% cobalt, 0.15% nickel, 0.78% zinc and 0.38g/t gold. This hole indicates a significant extension to the deposit at depth.
- Drilling at the Saramaki deposit, some 15 km from Kylylahti intersected shallow mineralisation in three holes with the best intercept being 11.8 metres at 1.47% copper, 0.11% cobalt and 0.48g/t gold, and
- a VTEM survey over the Kuhmo Nickel project which has generated multiple follow up targets for future evaluation.

Technical work is now focused on the capture and preservation of data and intellectual property and the generation of new nickel targets at Kuhmo for evaluation when conditions permit.

With respect to the groups' Finnish vanadium projects, Vulcan had engaged a London based merchant banker to find a purchaser or equity participant to fund further evaluation work on these prospects. As no participant has been identified, these projects have been relinquished as part of the effort to preserve cash resources.

Finally, Vulcan has commenced searching for merger and acquisition opportunities where its cash resources can release value for the benefit of its stakeholders. Vulcan has, in the last quarter, assessed opportunities in Asia, Australia, Europe and Africa in commodities such as copper, gold, iron ore and coal. Your Board is mindful of the value of cash in the current climate and will apply strict criteria to any investment decision that balances risk against potential stakeholder returns.

## **SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

In the opinion of the Directors there are no significant changes in the state of affairs of the Company that occurred during the half year period under review not already disclosed in this report, the financial statements or notes attached thereto.

## **SIGNIFICANT EVENTS AFTER BALANCE DATE**

In the opinion of the Directors there are no significant changes in the events after balance date of the Company that occurred and have not already been disclosed in this report.

## **ROUNDING**

The amounts contained in this report and in the Financial Report have been rounded to the nearest \$1,000 under the option available to the Company under ASIC class order 98/0100. The Company is an entity to which the class order applies.

## **AUDITORS INDEPENDENCE DECLARATION**

Section 307C of the Corporations Act 2001 requires our auditors, Ernst and Young, to provide the directors of Vulcan Resources Limited with an Independence Declaration in relation to the review of the half-year financial report. The Auditors' Independence Declaration on page 17 forms part of the Directors' Report for the period ended 31 December 2008.

Signed in accordance with a resolution of the Directors.

A handwritten signature in black ink, consisting of a vertical stroke followed by a horizontal line that extends to the right.

**MICHAEL BLAKISTON**  
**Chairman**

Perth, Western Australia  
Dated this 10th day of March 2009

**VULCAN RESOURCES LIMITED**

ABN 60 100 072 624

**CONSOLIDATED INCOME STATEMENT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

|  | NOTES | 31 December<br>2008<br>\$000 | 31 December<br>2007<br>\$000 |
|--|-------|------------------------------|------------------------------|
| <b>Continuing Operations</b>                           |       |                              |                              |
| Revenue  | 3     | 1,101                        | 1,435                        |
| Other income   | 4     | 573                          | -                            |
| Employee benefit expense                               | 5a    | (1,067)                      | (934)                        |
| Exploration and evaluation expense                     |       | (3,442)                      | (5,169)                      |
| Depreciation expense                                   |       | (55)                         | (29)                         |
| Other expenses   | 5b    | (1,817)                      | (1,148)                      |
| Finance costs  | 5c    | (16)                         | (872)                        |
| <b>Loss before income tax</b>                          |       | <b>(4,723)</b>               | <b>(6,717)</b>               |
| Income tax expense                                     |       | -                            | -                            |
| <b>Net loss attributable to members of the Company</b> |       | <b>(4,723)</b>               | <b>(6,717)</b>               |
| Basic loss per share (cents)                           |       | (2.08)                       | (3.31)                       |
| Diluted loss per share (cents)                         |       | (2.08)                       | (3.31)                       |

**VULCAN RESOURCES LIMITED**

ABN 60 100 072 624

**CONSOLIDATED BALANCE SHEET  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

|  | NOTES | 31 December<br>2008<br>\$000 | 30 June<br>2008<br>\$000 |
|--|-------|------------------------------|--------------------------|
| <b>ASSETS</b>  |       |                              |                          |
| <b>Current assets</b>                                      |       |                              |                          |
| Cash and cash equivalents                                  | 6     | 28,771                       | 40,483                   |
| Trade and other receivables                                |       | 402                          | 341                      |
| Other assets   |       | 196                          | 379                      |
| <b>Total Current assets</b>                                |       | <b>29,369</b>                | <b>41,203</b>            |
| <b>Non-current assets</b>                                  |       |                              |                          |
| Other assets   |       | 81                           | 75                       |
| Plant and equipment  | 7     | 2,944                        | 516                      |
| <b>Total Non-current assets</b>                            |       | <b>3,025</b>                 | <b>591</b>               |
| <b>TOTAL ASSETS</b>  |       | <b>32,394</b>                | <b>41,794</b>            |
| <b>LIABILITES</b>  |       |                              |                          |
| <b>Current liabilities</b>                                 |       |                              |                          |
| Trade and other payables                                   |       | 567                          | 1,087                    |
| Provisions   |       | 143                          | 227                      |
| Convertible note   | 8     | -                            | 5,000                    |
| <b>Total Current liabilities</b>                           |       | <b>710</b>                   | <b>6,314</b>             |
| <b>Non current liabilities</b>                             |       |                              |                          |
| Provisions   |       | 35                           | -                        |
| <b>Total Non-current liabilities</b>                       |       | <b>35</b>                    | <b>-</b>                 |
| <b>TOTAL LIABILITIES</b>                                   |       | <b>745</b>                   | <b>6,314</b>             |
| <b>NET ASSETS</b>  |       | <b>31,649</b>                | <b>35,480</b>            |
| <b>EQUITY</b>  |       |                              |                          |
| <b>Equity attributable to equity holders of the parent</b> |       |                              |                          |
| Contributed equity   | 9a    | 71,978                       | 71,978                   |
| Reserves   | 9b    | 4,569                        | 3,677                    |
| Accumulated losses   |       | (44,898)                     | (40,175)                 |
| <b>TOTAL EQUITY</b>  |       | <b>31,649</b>                | <b>35,480</b>            |

**VULCAN RESOURCES LIMITED**

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**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

|   | <b>31 December<br/>2008<br/>\$000</b> | <b>31 December<br/>2007<br/>\$000</b> |
|---|---------------------------------------|---------------------------------------|
| <b>Cash flow from operating activities</b>                |                                       |                                       |
| Payments to suppliers and employees                       | (2,614)                               | (2,157)                               |
| Interest received   | 831                                   | 1,275                                 |
| Interest paid   | (5)                                   | (303)                                 |
| <b>Net cash flows used in operating activities</b>        | <b>(1,788)</b>                        | <b>(1,185)</b>                        |
| <b>Cash flows from investing activities</b>               |                                       |                                       |
| Payments for exploration and evaluation activities        | (3,872)                               | (5,851)                               |
| Proceeds from sale of plant and equipment                 | 17                                    | -                                     |
| Payments for plant and equipment                          | (2,113)                               | (111)                                 |
| <b>Net cash flows used in investing activities</b>        | <b>(5,968)</b>                        | <b>(5,962)</b>                        |
| <b>Cash flows from financing activities</b>               |                                       |                                       |
| Proceeds from issue of shares                             | -                                     | 52,022                                |
| Transaction costs of issue of shares                      | -                                     | (1,917)                               |
| Repayment of borrowings                                   | (5,000)                               | (2,500)                               |
| <b>Net cash flows (used in)/from financing activities</b> | <b>(5,000)</b>                        | <b>47,605</b>                         |
| Net (decrease)/increase in cash and cash equivalents      | (12,756)                              | 40,458                                |
| Cash and cash equivalents at the beginning of period      | 40,483                                | 5,922                                 |
| Net foreign exchange differences                          | 1,044                                 | 187                                   |
| <b>Cash and cash equivalents at end of period</b>         | <b>28,771</b>                         | <b>46,567</b>                         |

**VULCAN RESOURCES LIMITED**

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

|   | Issued<br>Share<br>Capital | Share<br>Option<br>Reserve | Other<br>Reserve | Foreign<br>Currency<br>Translation<br>Reserve | Accumulated<br>Losses | Total    |
|---|----------------------------|----------------------------|------------------|---|-----------------------|----------|
|   | \$000                      | \$000                      | \$000            | \$000   | \$000                 | \$000    |
| <b>Balance as at 1 July 2007</b>  | 21,442                     | 3,067                      | 10               | 21  | (9,165)               | 15,375   |
| Effect of changes in the accounting policy for exploration and evaluation | -                          | -                          | -                | 761   | (18,593)              | (17,832) |
| <b>As restated</b>  | 21,442                     | 3,067                      | 10               | 782   | (27,758)              | (2,457)  |
| Foreign currency translation  | -                          | -                          | -                | (463)   | -                     | (463)    |
| <b>Total income/expense recognised directly in equity</b>                 | -                          | -                          | -                | (463)   | -                     | (463)    |
| Loss for the period   | -                          | -                          | -                | -   | (6,717)               | (6,717)  |
| <b>Total recognised income/expense for the period</b>                     | -                          | -                          | -                | (463)   | (6,717)               | (7,180)  |
| Shares issued during the period   | 52,022                     | -                          | -                | -   | -                     | 52,022   |
| Capital raising costs   | (1,914)                    | -                          | -                | -   | -                     | (1,914)  |
| Options   | -                          | 99                         | -                | -   | -                     | 99       |
| <b>Balance as at 31 December 2007</b>                                     | 71,550                     | 3,166                      | 10               | 319   | (34,475)              | 40,570   |

|   | Issued<br>Share<br>Capital | Share<br>Option<br>Reserve | Other<br>Reserve | Foreign<br>Currency<br>Translation<br>Reserve | Accumulated<br>Losses | Total    |
|---|----------------------------|----------------------------|------------------|---|-----------------------|----------|
|   | \$000                      | \$000                      | \$000            | \$000   | \$000                 | \$000    |
| <b>Balance as at 1 July 2008</b>  | 71,978                     | 3,370                      | 10               | 154   | (11,448)              | 64,064   |
| Effect of changes in the accounting policy for exploration and evaluation | -                          | -                          | -                | 143   | (28,727)              | (28,584) |
| <b>As restated</b>  | 71,978                     | 3,370                      | 10               | 297   | (40,175)              | 35,480   |
| Foreign currency translation  | -                          | -                          | -                | 809   | -                     | 809      |
| <b>Total income/expense recognised directly in equity</b>                 | -                          | -                          | -                | 809   | -                     | 809      |
| Loss for the period   | -                          | -                          | -                | -   | (4,723)               | (4,723)  |
| <b>Total recognised income/expense for the period</b>                     | -                          | -                          | -                | 809   | (4,723)               | (3,914)  |
| Shares issued during the period   | -                          | -                          | -                | -   | -                     | -        |
| Capital raising costs   | -                          | -                          | -                | -   | -                     | -        |
| Options   | -                          | 83                         | -                | -   | -                     | 83       |
| <b>Balance as at 31 December 2008</b>                                     | 71,978                     | 3,453                      | 10               | 1,106   | (44,898)              | 31,649   |

# VULCAN RESOURCES LIMITED

ABN 60 100 072 624

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

### NOTE 1: BASIS OF PREPARATION AND ACCOUNTING POLICIES

#### Basis of preparation

This general purpose condensed financial report for the half year ended 31 December 2008 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2008 and considered together with any public announcements made by Vulcan Resources Limited during the half year ended 31 December 2008 in accordance with the continuous disclosure obligations of the Australian Securities Exchange Limited ("ASX") listing rules.

Apart from the changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

#### Changes in Accounting Policies – New Accounting Standards and Interpretations

Since 1 July 2008 the Group has adopted the following applicable Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2008.

- AASB 2008-10 Amendment to Australian Accounting Standards – Reclassification of Financial Assets (amendments to AASB 139 Financial Instruments: Recognition and Measurement and AASB 7 Financial Instruments Disclosures)

Adoption of this standard did not have any effect on the financial position or performance of the Group.

The Group has not elected to early adopt any new standards or amendments.

#### Changes in Accounting Policy – Exploration and Evaluation Expenditure

In the current reporting period the Group has made a voluntary change to its Accounting Policy for reporting and disclosing Exploration and Evaluation expenditure. All Exploration and Evaluation expenditure is now charged against earnings as incurred. The directors are of the opinion that the change in accounting policy is both in line with Australian Accounting Standards and provides the users with reliable and more relevant information as it is consistent with the Australian Accounting Standards Board ("AASB") Framework for the Preparation and Presentation of Financial Statements and it is more transparent and less subjective. The change in policy is irrespective of whether or not the Board believe expenditure could be recouped from either a successful development and commercial exploitation or sale of the respective assets.

# VULCAN RESOURCES LIMITED

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

Policy:

Exploration and Evaluation activity involves the search for minerals and the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and Evaluation activity includes:

- researching and analysing historical exploration data
- gathering exploration data through topographical, geochemical and geophysical studies
- exploratory drilling, trenching and sampling
- determining and examining the volume and grade of the resource
- surveying transportation and infrastructure requirements
- conducting studies such Scoping, Pre-feasibility, Feasibility and Definitive Feasibility Studies

Exploration and Evaluation expenditure is charged to the income statement as incurred.

When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated then any subsequent Exploration and Evaluation expenditure within the area of interest is capitalised as "Mine properties in development".

After the decision to proceed to development is made, all costs subsequently incurred to develop a mine prior to the start of mining operations within the area of interest are capitalised as "Asset under construction" and carried at cost. These costs include expenditure incurred to develop new ore bodies within the area of interest, to expand capacity of a mine and to maintain production.

Cash flows associated with Exploration and Evaluation expenditure (comprising both amounts expensed and amounts capitalised) are classified as investing activities in the cash flow statement.

Effects of Change in Accounting Policy for Exploration and Evaluation Expenditure

The half year financial report has been prepared on the basis of a retrospective application of the new accounting policy relating to exploration and evaluation expenditure. The following table demonstrates the effect of this change.

|  | Previously Reported<br>30/06/08<br>\$000 | Effect of the change in<br>the accounting policy<br>for exploration and<br>evaluation | Restated<br>30/06/08<br>\$000 |
|--|--|---|-------------------------------|
| <b>Balance Sheet</b>                   |  |   |                               |
| Property, plant and equipment          | 22,505                                   | (21,989)  | 516                           |
| Exploration and Evaluation expenditure | 6,595                                    | (6,595)   | -                             |
| Reserves                               | 3,534                                    | 143   | 3,677                         |
| Accumulated losses                     | (11,448)                                 | (28,727)  | (40,175)                      |

# VULCAN RESOURCES LIMITED

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

|  | Previously Reported<br>31/12/07<br>\$000 | Effect of the change in<br>the accounting policy<br>for exploration and<br>evaluation | Restated<br>31/12/07<br>\$000 |
|--|--|---|-------------------------------|
| <b>Income Statement</b>                |  |   |                               |
| Exploration and Evaluation expenditure | -  | (5,169)   | (5,169)                       |
| Net loss attributable to members       | (1,548)                                  | (5,169)   | (6,717)                       |
| Basic loss per share (cents)           | (0.76)                                   | (2.55)  | (3.31)                        |
| Diluted loss per share (cents)         | (0.76)                                   | (2.55)  | (3.31)                        |

### NOTE 2: SEGMENT INFORMATION

The Group's primary segment information is reported geographically being the business of mineral exploration and development.

The following table presents revenue and loss information regarding business segments for the half year periods ended 31 December 2008 and 2007.

|                                     | Australia<br>\$000 | Finland<br>\$000 | Eliminations<br>\$000                 | Consolidated<br>\$000                 |
|-------------------------------------|--------------------|------------------|---------------------------------------|---------------------------------------|
| <b>2008</b>                         |                    |                  |                                       |                                       |
| Inter-segment sales                 | 1,184              | -                | (1,184)                               | -                                     |
| <b>Segment revenue</b>              | 1,184              | -                | (1,184)                               | -                                     |
| <b>Segment result</b>               | (435)              | (5,490)          | 101                                   | (5,824)                               |
| <b>Unallocated interest revenue</b> | -                  | -                | -                                     | 1,101                                 |
| <b>2007</b>                         |                    |                  |                                       |                                       |
| Inter-segment sales                 | 1,189              | -                | (1,189)                               | -                                     |
| <b>Segment revenue</b>              | 2,624              | -                | (1,189)                               | 1,435                                 |
| <b>Segment result</b>               | (1,572)            | (6,579)          | (1)                                   | (8,152)                               |
| <b>Unallocated interest revenue</b> | -                  | -                | -                                     | 1,435                                 |
|                                     |                    |                  | <b>31 December<br/>2008<br/>\$000</b> | <b>31 December<br/>2007<br/>\$000</b> |

### NOTE 3: REVENUES

#### Revenue

|                  |              |              |
|------------------|--------------|--------------|
| Interest revenue | 1,101        | 1,435        |
|                  | <u>1,101</u> | <u>1,435</u> |

# VULCAN RESOURCES LIMITED

ABN 60 100 072 624

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

|   | <b>31 December<br/>2008<br/>\$000</b> | <b>31 December<br/>2007<br/>\$000</b> |
|---|---------------------------------------|---------------------------------------|
| <b>NOTE 4: OTHER INCOME</b>   |                                       |                                       |
| Net gain on foreign exchange  | 573                                   | -                                     |
| <b>NOTE 5: EXPENSES</b>   |                                       |                                       |
| <b>(a) Employee benefits expense</b>  |                                       |                                       |
| Staff expenses  | (984)                                 | (835)                                 |
| Staff options   | (83)                                  | (99)                                  |
|   | (1,067)                               | (934)                                 |
| <b>(b) Other expenses</b>   |                                       |                                       |
| Corporate expenses  | (1,557)                               | (934)                                 |
| Occupancy and related expenses  | (254)                                 | (154)                                 |
| Loss on sale of property plant & equipment  | (6)                                   | -                                     |
| Net loss on foreign exchange  | -                                     | (60)                                  |
|   | (1,817)                               | (1,148)                               |
| <b>(c) Finance costs</b>  |                                       |                                       |
| Interest expense  | (5)                                   | (346)                                 |
| Amortised finance costs   | (11)                                  | (526)                                 |
|   | (16)                                  | (872)                                 |
|   | <b>31 December<br/>2008<br/>\$000</b> | <b>30 June<br/>2008<br/>\$000</b>     |
| <b>NOTE 6: CASH AND CASH EQUIVALENTS</b>  |                                       |                                       |
| For the purpose of the half-year condensed cash flow statement, cash and cash equivalents are comprised of the following: |                                       |                                       |
| Cash at bank and in hand  | 2,903                                 | 13,593                                |
| Short-term deposits   | 25,868                                | 26,890                                |
|   | 28,771                                | 40,483                                |
| <b>NOTE 7: PLANT AND EQUIPMENT</b>  |                                       |                                       |
| <b>Non-current assets</b>   |                                       |                                       |
| Plant and equipment – at cost   | 550                                   | 413                                   |
| Accumulated depreciation  | (219)                                 | (157)                                 |
| Net carrying amount   | 331                                   | 256                                   |
| Assets under construction – at cost   | 2,613                                 | 260                                   |
| Accumulated depreciation  | -                                     | -                                     |
| Net carrying amount   | 2,613                                 | 260                                   |
| Total Net carrying amount   | 2,944                                 | 516                                   |

# VULCAN RESOURCES LIMITED

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

### Reconciliations

Reconciliations of the carrying amounts of each class of Property, plant and equipment at the beginning and end of the year are as follows:

|  | Plant and<br>Equipment<br>\$000 | Assets under<br>Construction<br>\$000 | Total<br>\$000                    |
|--|---------------------------------|---------------------------------------|-----------------------------------|
| <b>Consolidated entity - 2008</b>      |                                 |                                       |                                   |
| Balance at 1 July 2008                 | 256                             | 260                                   | 516                               |
| Additions                              | 141                             | 2,286                                 | 2,427                             |
| Disposal                               | (25)                            | -                                     | (25)                              |
| Depreciation                           | (55)                            | -                                     | (55)                              |
| Foreign currency translation movements | 14                              | 67                                    | 81                                |
|  |                                 |                                       |                                   |
| Balance at 31 December 2008            | 331                             | 2,613                                 | 2,944                             |
|  |                                 |                                       |                                   |
|  | Plant and<br>Equipment<br>\$000 | Assets under<br>Construction<br>\$000 | Total<br>\$000                    |
| <b>Consolidated entity – 2007</b>      |                                 |                                       |                                   |
| Balance at 1 July 2007                 | 105                             | -                                     | 105                               |
| Additions                              | 112                             | -                                     | 112                               |
| Disposal                               | -                               | -                                     | -                                 |
| Depreciation                           | (29)                            | -                                     | (29)                              |
| Foreign currency translation movements | 1                               | -                                     | 1                                 |
|  |                                 |                                       |                                   |
| Balance at 31 December 2007            | 189                             | -                                     | 189                               |
|  |                                 |                                       |                                   |
|  |                                 | <b>31 December<br/>2008<br/>\$000</b> | <b>30 June<br/>2008<br/>\$000</b> |

### NOTE 8: INTEREST BEARING LOANS AND BORROWINGS

(a) **Current**

(i) *Convertible note*

|  |  |  |  |
|--|--|--|--|
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |

On 21 January 2007 the Company issued a \$5 million convertible note with an underlying coupon rate of 10% maturing on 30 June 2008 and a conversion price of \$0.30 per share.

The convertible note contained both a liability being the underlying note and an equity instrument representing the conversion rights into shares. Based on this allocation of the \$5,000,000 convertible note, \$4,989,000 was initially allocated to non current liabilities (underlying effective interest rate of 10.56%) and \$11,000 to non-distributable other reserve in equity. Associated costs of \$212,000 were initially apportioned between the non current liability and equity reserve. The liability portion was subsequently amortised over the life of the convertible note.

The Company repaid the Convertible note on 1 July 2008.

# VULCAN RESOURCES LIMITED

ABN 60 100 072 624

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

### NOTE 9: CONTRIBUTED EQUITY RESERVES

#### (a) Contributed Equity

|  | Number of<br>shares                   | Total<br>\$000                    |
|--|---------------------------------------|-----------------------------------|
| <i>(i) Movements in fully paid ordinary shares on issue:</i> |                                       |                                   |
| Balance at 1 July 2007                                       | 108,939,042                           | 21,442                            |
| Shares issued <sup>(i)</sup>                                 | 115,605,709                           | 50,041                            |
| Balance at 31 December 2007                                  | 224,544,751                           | 71,483                            |
| Option conversions <sup>(ii)</sup>                           | 2,500,000                             | 495                               |
| Balance at 30 June 2008                                      | 227,044,751                           | 71,978                            |
| <i>(i) Issue of 115,605,709 shares at 45 cents per share</i> |                                       |                                   |
| <i>(ii) Conversion of 2,500,000 options at 20 cents</i>      |                                       |                                   |
| Balance at 1 July 2008                                       | 227,044,751                           | 71,978                            |
| Shares issued  | -                                     | -                                 |
| Balance at 31 December 2008                                  | 227,044,751                           | 71,978                            |
|  | <b>31 December<br/>2008<br/>\$000</b> | <b>30 June<br/>2008<br/>\$000</b> |

#### (b) Reserves

|   |       |       |
|---|-------|-------|
| <i>(i) Share based payments reserve:</i>          |       |       |
| Balance at beginning of period                    | 3,370 | 3,067 |
| Staff options                                     | 83    | 303   |
| Balance at end of period                          | 3,453 | 3,370 |
| <i>(ii) Foreign currency translation reserve:</i> |       |       |
| Balance at beginning of period                    | 297   | 782   |
| Currency translation differences                  | 809   | (485) |
| Balance at end of period                          | 1,106 | 297   |
| <i>(iii) Other reserve:</i>                       |       |       |
| Balance at beginning of period                    | 10    | 10    |
| Convertible note – equity portion                 | -     | -     |
| Balance at end of period                          | 10    | 10    |
| Total Reserves                                    | 4,569 | 3,677 |

### NOTE 10: EVENTS SUBSEQUENT TO BALANCE DATE

No matter or circumstance has arisen since the half year ended 31 December 2008 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 future financial years.

**VULCAN RESOURCES LIMITED**

ABN 60 100 072 624

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

**NOTE 11: CONTINGENT LIABILITIES**

There has been no change in contingent liabilities since the last annual reporting date.

# VULCAN RESOURCES LIMITED

ABN 60 100 072 624

## DIRECTORS' DECLARATION

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

In the opinion of directors:

- (a) The financial statements and notes of the consolidated entity:
  - (i) give a true and fair view of the financial position as at 31 December 2008 and the performance for the half-year ended on that date of the consolidated entity; and
  - (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the 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.

On behalf of the Board



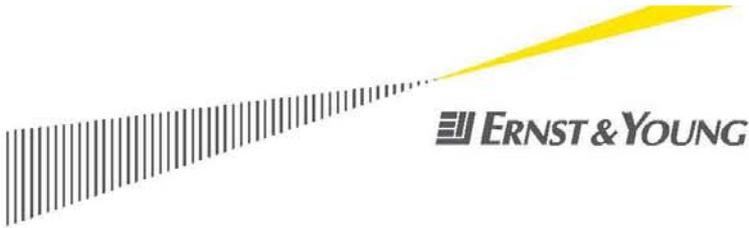
**MICHAEL BLAKISTON**  
Chairman

Perth, Western Australia

Dated this 10th day of March 2009

# VULCAN RESOURCES LIMITED

ABN 60 100 072 624



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11 Mounts Bay Road  
Perth WA 6000 Australia  
GPO Box M939 Perth WA 6843  
Tel: +61 8 9429 2222  
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[www.ey.com/au](http://www.ey.com/au)

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

In relation to our review of the financial report of **Vulcan Resources Limited** for the half year ended 31 December 2008, 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

P McIver  
Partner Perth  
10 March 2009

# VULCAN RESOURCES LIMITED

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To the Members of Vulcan Resources Limited

## **Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Vulcan Resources Limited ("the Company") and the entities it controlled ("the Group"), which comprises the balance sheet as at 31 December 2008, the income statement, the statement of changes in equity and cash flow statement for the half-year ended on that date and other selected explanatory notes and the directors' declaration of the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the half-year end or from time to time during the half-year.

## **Directors' Responsibility for the Half-Year Financial Report**

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes: establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that it is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## **Auditor's Responsibility**

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Australian Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the accompanying interim financial report is not presented fairly, in all material respects, in accordance with AASB 134 "Interim Financial Reporting". As the auditor of Vulcan Resources Limited, ASRE 2410 also requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

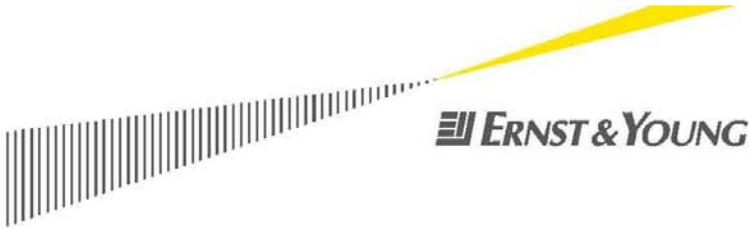
## **Independence**

In conducting our review, we have complied with the independence requirements of 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.

Liability limited by a scheme  
approved under Professional  
Standards Legislation

# VULCAN RESOURCES LIMITED

ABN 60 100 072 624



## **Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Vulcan Resources Limited is not in accordance with 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 31 December 2008 and of their performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*

A handwritten signature in black ink that reads "Ernst + Young". The signature is written in a cursive, flowing style.

Ernst & Young

A handwritten signature in black ink that reads "P McIver". The signature is written in a cursive, flowing style.

P McIver  
Partner Perth  
10 March 2009