

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

CONTENTS

	Page No.
Corporate Information	1
Directors' Report	2
Financial Statements	5
Declaration by Directors	16
Declaration of Independence	17
Independent Review Report	18

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

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

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 stroke 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 2008 \$000	31 December 2007 \$000
Continuing Operations			
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)
Loss before income tax		(4,723)	(6,717)
Income tax expense		-	-
Net loss attributable to members of the Company		(4,723)	(6,717)
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 2008 \$000	30 June 2008 \$000
ASSETS			
Current assets			
Cash and cash equivalents	6	28,771	40,483
Trade and other receivables		402	341
Other assets		196	379
Total Current assets		29,369	41,203
Non-current assets			
Other assets		81	75
Plant and equipment	7	2,944	516
Total Non-current assets		3,025	591
TOTAL ASSETS		32,394	41,794
LIABILITIES			
Current liabilities			
Trade and other payables		567	1,087
Provisions		143	227
Convertible note	8	-	5,000
Total Current liabilities		710	6,314
Non current liabilities			
Provisions		35	-
Total Non-current liabilities		35	-
TOTAL LIABILITIES		745	6,314
NET ASSETS		31,649	35,480
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	9a	71,978	71,978
Reserves	9b	4,569	3,677
Accumulated losses		(44,898)	(40,175)
TOTAL EQUITY		31,649	35,480

VULCAN RESOURCES LIMITED

ABN 60 100 072 624

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

	31 December 2008 \$000	31 December 2007 \$000
Cash flow from operating activities		
Payments to suppliers and employees	(2,614)	(2,157)
Interest received	831	1,275
Interest paid	(5)	(303)
Net cash flows used in operating activities	(1,788)	(1,185)
Cash flows from investing activities		
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)
Net cash flows used in investing activities	(5,968)	(5,962)
Cash flows from financing activities		
Proceeds from issue of shares	-	52,022
Transaction costs of issue of shares	-	(1,917)
Repayment of borrowings	(5,000)	(2,500)
Net cash flows (used in)/from financing activities	(5,000)	47,605
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
Cash and cash equivalents at end of period	28,771	46,567

VULCAN RESOURCES LIMITED

ABN 60 100 072 624

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

	Issued Share Capital	Share Option Reserve	Other Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Balance as at 1 July 2007	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)
As restated	21,442	3,067	10	782	(27,758)	(2,457)
Foreign currency translation	-	-	-	(463)	-	(463)
Total income/expense recognised directly in equity	-	-	-	(463)	-	(463)
Loss for the period	-	-	-	-	(6,717)	(6,717)
Total recognised income/expense for the period	-	-	-	(463)	(6,717)	(7,180)
Shares issued during the period	52,022	-	-	-	-	52,022
Capital raising costs	(1,914)	-	-	-	-	(1,914)
Options	-	99	-	-	-	99
Balance as at 31 December 2007	71,550	3,166	10	319	(34,475)	40,570

	Issued Share Capital	Share Option Reserve	Other Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Balance as at 1 July 2008	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)
As restated	71,978	3,370	10	297	(40,175)	35,480
Foreign currency translation	-	-	-	809	-	809
Total income/expense recognised directly in equity	-	-	-	809	-	809
Loss for the period	-	-	-	-	(4,723)	(4,723)
Total recognised income/expense for the period	-	-	-	809	(4,723)	(3,914)
Shares issued during the period	-	-	-	-	-	-
Capital raising costs	-	-	-	-	-	-
Options	-	83	-	-	-	83
Balance as at 31 December 2008	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

ABN 60 100 072 624

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 30/06/08 \$000	Effect of the change in the accounting policy for exploration and evaluation	Restated 30/06/08 \$000
Balance Sheet			
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

ABN 60 100 072 624

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

	Previously Reported 31/12/07 \$000	Effect of the change in the accounting policy for exploration and evaluation	Restated 31/12/07 \$000
Income Statement			
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.

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

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

	31 December 2008 \$000	31 December 2007 \$000
NOTE 4: OTHER INCOME		
Net gain on foreign exchange	573	-
NOTE 5: EXPENSES		
(a) Employee benefits expense		
Staff expenses	(984)	(835)
Staff options	(83)	(99)
	<u>(1,067)</u>	<u>(934)</u>
(b) Other expenses		
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)
	<u>(1,817)</u>	<u>(1,148)</u>
(c) Finance costs		
Interest expense	(5)	(346)
Amortised finance costs	(11)	(526)
	<u>(16)</u>	<u>(872)</u>
	31 December 2008 \$000	30 June 2008 \$000
NOTE 6: CASH AND CASH EQUIVALENTS		
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
	<u>28,771</u>	<u>40,483</u>
NOTE 7: PLANT AND EQUIPMENT		
Non-current assets		
Plant and equipment – at cost	550	413
Accumulated depreciation	(219)	(157)
Net carrying amount	<u>331</u>	<u>256</u>
Assets under construction – at cost	2,613	260
Accumulated depreciation	-	-
Net carrying amount	<u>2,613</u>	<u>260</u>
Total Net carrying amount	<u>2,944</u>	<u>516</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

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 Equipment \$000	Assets under Construction \$000	Total \$000
Consolidated entity - 2008			
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 Equipment \$000	Assets under Construction \$000	Total \$000
Consolidated entity – 2007			
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
	31 December 2008 \$000	30 June 2008 \$000	

NOTE 8: INTEREST BEARING LOANS AND BORROWINGS

(a) Current

(i) Convertible note

-	5,000

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

(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
(ii) <i>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
(iii) <i>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

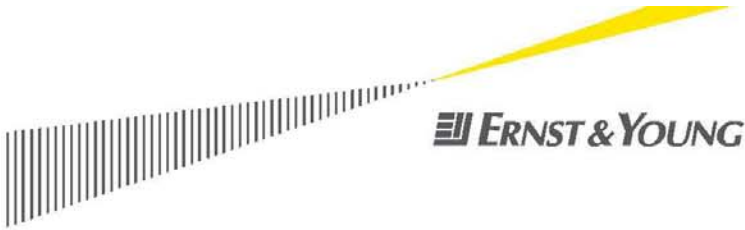


MICHAEL BLAKISTON
Chairman

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

VULCAN RESOURCES LIMITED

ABN 60 100 072 624



Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843
Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
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.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'P McIver'.

P McIver
Partner Perth
10 March 2009

VULCAN RESOURCES LIMITED

ABN 60 100 072 624



Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843
Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
www.ey.com/au

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' in a cursive, stylized script.

Ernst & Young

A handwritten signature in black ink that appears to read 'P McIver' in a cursive, stylized script.

P McIver
Partner Perth
10 March 2009