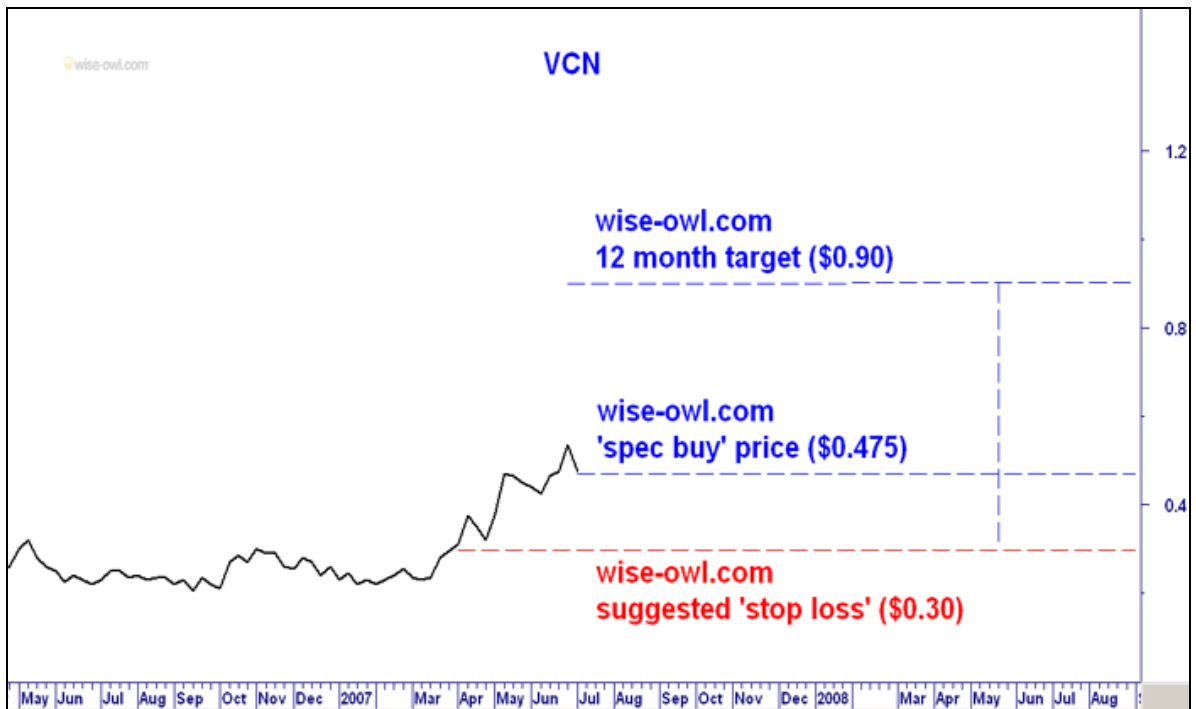




Vulcan Resources Limited (VCN)

Strategy		Market	How Many Shares do I buy?
First Recommendation	08/07/2007	Information	Trade Amount (\$) you're prepared to risk
Share Price	\$0.475	Sector Mining & Metals	= Market Price - \$0.295
12 mth Price Target	\$0.90	Index	
Suggested Stop Loss	\$0.30	Market Cap \$50.66 million	Note. Amount (\$) you are prepared to risk is typically 2-3% of the TOTAL amount you have to invest
Recommendation	Spec Buy		
Risk Rating	High		

Recommendation Summary





Company Background

Vulcan Resources Limited (VCN) is a base metals and gold exploration company with a portfolio of projects located in Finland and WA. Vulcan also has extensive vanadium, nickel-copper and platinum group element exploration projects in northern Finland. Currently, company focus is on the Kylylahti and Kuhmo projects in Finland.

Investment Summary

VCN has been a quiet achiever in the resource industry and with their promising drilling numbers seen so far, it really is a company to watch out for. Unlike many of the other juniors in their area, VCN will phase into producer status as early as 2009 if they stick to their schedule. Much of the focus at this time has been on the Kylylahti project, however, the positive drilling at Kuhmo is making VCN an attractive investment.

At Kylylahti, a recent resource upgrade was released with the project now containing 92,000 tonnes of copper, 18,850 tonnes of cobalt, 17,280 tonnes of nickel, 38,485 tonnes of zinc and 177,000 ounces of gold. At current prices for these metals, the project is valued at \$3.4b. The most significant increases were seen in contained copper metal and copper grades up 15% and 9% respectively, contained cobalt metal and cobalt grades up 15% and 9% respectively and contained nickel metal up 5%.

A Definitive Feasibility Study is scheduled to be completed and released to the market by August this year. This will be one of the key drivers for the company moving forward. The board is aiming to further extend the mine life beyond 13 years and improve drilling grades. Any of these factors will have a positive impact on the company's share price.

The Kuhmo Nickel Project is 95% owned by Vulcan and has a Resource containing 30,000 tonnes of nickel metal and over 120,000 ounces of platinum, palladium and gold. At the Peura-aho sulphide deposit at Kuhmo, drilling has found significant intersections. Over 30 separate intersections have been returned with most intersections exceeding expectations from prior drilling and

Resource Estimates. The best grades seen so far are 3.2% Ni, 5.2% Cu, 5.7 g/t Pd, 2.7 g/t Pt.

We feel that the timing is right to recommend VCN as the company is expecting to release a number of drilling announcements along with feasibility results in the near future. We recommend a 'spec buy' on VCN.

wise-owl Checklist

- Strong management team who have many years of experience from an operational to executive perspective.
- Good cash position of \$7.1m at the quarter to March 07 but a capital raising could add another \$49m to the coffers.
- Positive drilling results along with the progress made at Kylälahti from feasibility to production will be the key drivers moving forward.
- Institutional Shareholders include Finnish Industry Investment Ltd (12.04%) & AGD Mining Limited (18.13%).
- Upward trend has recently accelerated.

Fundamental & Quantitative Analysis

Management



Mr Barry Eldridge-Chairman

Barry has over 37 years experience as a geologist and mining engineer in the resource industry both in Australia and overseas. With over 20 years experience in the coal industry, Barry has been involved in a number of management roles in the mining industry. Most notable of these have been Project Manager for the Super Pit in Kalgoorlie, Project Manager of the Kanowna Belle Gold Mine, Managing Director of Forrestania Gold NL, Project Director for the West Angelas Iron Ore, Development Director - Major Projects for North Ltd, Managing Director of Griffin Coal Pty Ltd and, most recently, Managing Director and CEO of Portman Ltd.



Dr Alistair Cowden-Managing Director

Dr Cowden has over 20 years experience as a geologist and mining company executive in Australia, Africa, Europe and New Zealand. Alistair was instrumental in the listing of five successful ASX listed



companies including Vulcan Resources Limited, Rox Resources Limited, Australis Aquaculture Limited, Archaean Gold NL and Magnetic Minerals 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.

Financial Performance

Like most junior explorers, VCN is currently not producing and thus, no revenues are seen. In the most recent quarter, \$2.4m went into exploration costs and VCN had \$7.1m of cash on hand. To further strengthen their cash position, VCN has decided to undertake a \$49m capital raising through a 1 for 1 non-renounceable rights issue at \$0.45 per share.

This should not have any negative impact on the company's operations as, if successful, it will double the company's market capitalization. Proceeds from the issue will be used to accelerate the development of the Kylylahti Copper-Cobalt-Nickel Project and Resource delineation and evaluation of the Kuhmo Nickel Project. Besides this, VCN is also looking to list on the Norwegian Stock Exchange which will increase awareness in that part of the world where their projects are.

Growth Story

Going into 2008 and 2009, this is going to be an exciting but busy time for VCN. Both Kylylahti and Kuhmo look like very promising prospects and the success of these projects will see VCN emerge as a significant player in the resource industry. Like any junior explorer, VCN does run the risk of cost blowouts, and delays in operations that may have a domino like effect and bring a later production date.

At Kylylahti, the pre-feasibility study initially predicted a 500,000tpa underground decline mine with total expected revenues of \$900 million over 10 years and net operating cashflow of \$430 million. The Definitive Feasibility Study that is examining the construction of a 13 year underground mine, concentrator and Ni-Co concentrate processing plant. will be released in August with the possibility of greater numbers. In late 2007, underground mine construction is due to start with production to commence from early 2009.

At Kuhmo, there is 'potential for shallow high grade open pittable Resources at the six deposits'. Peura-aho is the first of these deposits to be tested in this



drilling campaign. Vulcan's strategy with each of its six nickel deposits is as follows:

1. Conduct shallow infill and extension drilling, verify previous drilling, delineate high grade zones and generate geological models.
2. Complete definitive metallurgical test work on all ore types delineated.
3. Complete Resource Estimates and pit optimisation.
4. Complement existing geophysics and geochemistry to inform further extension drilling based on the new geological understanding.

We expect that VCN will list successfully on the Norwegian Stock Exchange. Through one of the leading brokers and financial services providers, Pareto, VCN is aiming to list on the OTC market in Oslo and then another listing on the Oslo Bors. From information gathered, there is substantial institutional and retail demand for resource stocks in the region, especially for those with operations in the Nordic region.

Revenue & Profitability	VCN vs. Sector Average					
	FY1 2006	FY1 2005	FY1 2004		VCN	Sector Average
PE Ratio (x)	N/A	N/A	N/A	PE Ratio (x)	N/A	45.97
Revenue per Share (\$)	N/A	N/A	N/A	Revenue per Share (\$)	N/A	0.33
Earnings per Share (\$)	-0.04	-0.02	-0.05	Earnings per Share (\$)	-0.04	-0.02
Dividend Yield (%)	0.00	0.00	0.00	Dividend Yield (%)	0.00	0.27
Profit Margin (%)	N/A	N/A	N/A	Profit Margin (%)	N/A	-120.03
Return on Assets (%)	-21.15	-21.5	N/A	Return on Assets (%)	-21.15	-24.27
Return on Equity	-25.33	-28.41	N/A	Return on Equity	-25.33	-32.87

Technical Analysis

Trend Horizon

Daily
Weekly
Monthly

Trend Technical Overview

- ↗ The stock has had a turbulent history. Following its late 2002 listing the stock rallied from lows of around 11c to
- ↘ highs of 55c in October 2003. These gains were short
- ↗ lived and almost entirely erased as the stock plummeted from 49c to 12c in just a few days in November that year. A period of consolidation around these lows followed for the next 12 months. The stocks current rally began in late 2004, and has seen multiple descending triangles form as consolidation followed short and sharp rises. Breakouts from these triangles have been bullish, and he latest in early 2007 has witnessed the formation of a steeper uptrend that has brought the stock within striking distance of it 2003 high. A break above this resistance level would be bullish, however should it fail to do so, short term support lies at 42c while critical support remains at 22c.

