

ASX RELEASE  
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## **LONDON MINING HOUSE CAMBRIAN MINING PLC TAKES A MAJOR STAKE IN VULCAN**

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- **Funding package of A\$3.1 million secured**
  - **Strategic Alliance to form new Finnish nickel company to be listed on AIM**
  - **Funds to be applied to feasibility study of Kylylahti copper-cobalt deposit, to upgrade Finnish nickel sulphide resources and to test compelling exploration targets**
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Vulcan Resources Limited (ASX code VCN "Vulcan") is pleased to announce a strategic alliance and funding agreement with London mining finance house, Cambrian Mining plc ("Cambrian"). This funding is to progress the Kylylahti Pre-feasibility study and fast track resource definition and exploration at the Kuhmo Nickel Project, both former Outokumpu base metal assets in Finland that were acquired from Dragon Mining NL ("Dragon") last month.

### **Placement**

Cambrian will take a placement in Vulcan of 9,000,000 ordinary shares (approximately 19.8% of Vulcan's issued capital) at 18 cents per share to raise A\$1.6 million. Vulcan will also issue 4,500,000 December 2005 listed 25 cent options and 4,500,000 December 2007 20 cent options to Cambrian, subject to shareholder approval, if required.

### **New Nickel Company**

In addition to the \$1.6 million placement, Cambrian will acquire a 40% interest for a consideration of A\$1.5 million in a new Finnish nickel company ("Nickel Co") which will be formed to hold Vulcan's Finnish nickel assets. Vulcan will hold 60%.

This investment will enable the nickel assets to be fast tracked toward development by bringing the six known nickel sulphide resources to JORC status, by completing infill and extension drilling, by testing compelling geophysical and geochemical targets and by putting in place a dedicated nickel management team..

It is Cambrian's intention to sponsor the London listing of this new company on the London Stock Exchange Alternative Investment Market ("AIM") in mid 2005. Should this listing occur, it is Vulcan's intention to make an in specie distribution of its shareholding in the new nickel company to its shareholders.

### **Cambrian**

Cambrian is an AIM listed mining finance house with a diverse portfolio of coal, precious metal and base metal assets across North America, Australia, Africa and Asia. It specifically targets companies with near term development and cash flow potential. Cambrian has recently sponsored two highly successful AIM listings; Asia Energy plc which listed in April, 2004, at 75p and is currently trading at 480p and Western Canadian Coal Corporation which listed in October, 2004, at 95p and is currently trading at 226p. Cambrian's listed investments are currently valued at market prices at GBP£140 million (A\$333 million). In addition, Cambrian has a number of unlisted investments and direct exploration interests.

Vulcan is delighted to strike an alliance with Cambrian, its record of success in bringing companies to AIM and helping to create shareholder wealth has been exceptional. Cambrian CEO, Mr John Byrne, said “Cambrian has been looking for a strategic investment in the base metal sector for some time. What attracts us to Vulcan is management’s record of corporate and exploration success, the attractive suite of commodities (copper, cobalt, nickel and platinum) and that the projects are relatively advanced with established resources and close to development. As a London based company we are very comfortable with Finland and its strong mining culture.”

### **Strategy**

With this funding in place Vulcan will be in a position to progress its strategy to:

- Fast track to pre-feasibility study and development of the 100% owned Kylylahti copper-cobalt deposit which has a resource of 3.4 million tonnes grading 1.8% copper and 0.3% cobalt, or 8.2% copper equivalent. The pre-feasibility study will be targeting an underground mining operation of 500,000 tpa with an annual production of 8,000 tpa copper, 500 tpa cobalt, 600 tpa nickel and 12,000 oz gold.
- Delineate the six currently identified nickel sulphide deposits to JORC standard at Kuhmo.
- Aggressively pursue numerous targets which include “Bullseye” airborne EM targets, till geochemical anomalies and untested prospective komatiite contact.

Vulcan and Cambrian believe that the Finnish assets will be attractive to European investors and Cambrian will introduce Vulcan and Nickel Co to funding sources in Europe, provide London support for the AIM listing of Nickel Co and technical and other support from its group of associated companies.

### **Capital Structure**

On completion of the Dragon and Cambrian transactions, Vulcan will have 45,884,000 shares on issue and A\$3.8 million cash available. In addition, there will be 16,900,000 December 2005 listed options on issue. Should these options be exercised Vulcan will receive a further \$4.2 million in cash. A further 17,850,000 20 cent options are on issue with expiry dates ranging from December 2007 to December 2009.

### **About Vulcan**

Vulcan Resources is a Western Australian company based in Perth which listed on ASX in October 2002. It is primarily focussed on exploration, development and mining of base and precious metal deposits in Finland.

The 100% owned Kylylahti copper-cobalt deposit has a Resource of 3.4 million tonnes grading 1.8% copper and 0.3% cobalt, or 8.2% copper equivalent. Outokumpu completed extensive metallurgical and other studies in the period 1985-1995. The project will be the subject of a pre-feasibility study in 2005 with a decision to commence a bankable study expected in 2005.

The Kuhmo Nickel Project contains six drilled nickel sulphide deposits and numerous geophysical and geochemical targets. These deposits and rocks are directly analogous to Western Australian type examples of such deposits. Vulcan will assess the potential for expansion and development of the deposits and drill test compelling targets in 2005.

The Tornio Platinum Project may be the lateral equivalent of GoldFields’ Arctic Platinum Project (12 million ounces combined Pt+Pd+Au).

## **JORC Code Compliance Statement**

The information on mineralisation contained in this report accurately reflects information compiled by Dr Alistair Cowden B.Sc (Hons), Ph.D, M.Aus.I.M.M., M.A.I.G. who is a Competent Person (as defined by the Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves) with relevant experience in relation to such mineralisation and is an employee of Vulcan Resources Limited. He has consented to the form of this report.

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