

**ASX RELEASE**

15 May 2006

**LETTER OF INTENT SIGNED WITH EUROPEAN COPPER PRODUCER**

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**Vulcan Resources Limited** ("Vulcan") (ASX: VCN) is pleased to advise that it has reached an important commercial milestone by signing a 'Letter of Intent' ("LOI") with Norddeutsche Affinerie AG for the purchase of copper-gold concentrates from its Kylylahti Copper Project in Finland, subject to meeting quality criteria.

Norddeutsche Affinerie AG, based in Hamburg, Germany, is the largest copper producer in Europe and the largest copper recycler worldwide. It produces about 800,000 tonnes of copper and copper products annually.

The key terms of the LOI include:

1. The purchase of the entire copper/gold concentrate produced from Vulcan's Kylylahti Project;
2. A life of mine contract,
3. Subject to Vulcan receiving all approvals and funding to develop the Kylylahti Project.

The LOI is non-binding and the parties have agreed to complete good faith negotiations for a long term supply contract.

The Pre-Feasibility Study undertaken by Vulcan on the Kylylahti Project indicated that it was financially robust with an NPV (10) of A\$120 million at long-term metal prices (US\$1.15/lb copper, US\$5.50/lb nickel, US\$420/oz gold, US\$16/lb cobalt and US\$0.50/lb zinc). The Study is based on mining the Indicated Resource at a rate of 500,000 tonnes per annum for 10 years.

Since completing the study in November 2005, metal prices have strengthened considerably with mid-term prices forecast to be significantly above that used by Vulcan.

Vulcan continues to progress the project with drilling which has been continuous since January this year. As a result, a new resources estimate, mining plan and financial analysis are being prepared.

-ENDS-

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## **About Vulcan**

Vulcan Resources (ASX: VCN) is an Australian company based in Perth focussed on the development of base metal deposits in Finland. Vulcan has a unique portfolio of commodities spanning a range from near decision to mine to resource definition and exploration.

The Kylylahti copper-cobalt-nickel-gold deposit is 100% owned by Vulcan and is located 24 kilometres from Outokumpu in Eastern Finland in the heart of the plus 1 million tonne copper Outokumpu mining camp. Vulcan has completed a Pre-Feasibility Study and commenced a Bankable Study for development of a 500,000 tpa underground mine.

The current resource at Kylylahti is 7.4 million tonnes of 1.0% copper, 0.2% cobalt, 0.2% nickel and 0.6 g/t gold.

The Kuhmo project is 60% owned by Vulcan, 40% by AGD Mining, and has extensive tenure in the Kuhmo-Suomussalmi greenstone belt. Six nickel sulphide occurrences have been identified and the deposits are directly analogous to those found in Western Australia. Vulcan is commencing Resource Estimates on three deposits and a Scoping Study on mining.

The Syöte vanadium project is 100% owned by Vulcan and has known vanadium bearing magnetite gabbro horizons up to 130 metres thick and up to 10 kilometres long. Historic metallurgical testwork indicates that the project has the potential to be a world class vanadium mine similar to the now closed adjacent Mustavaara mine.

Finland is a mining friendly country within the European Union with a competitive and low risk economy. Finland has a long mining tradition and has one of the world's largest concentrations of metallurgical infrastructure.

## **Competent Person Statement**

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