

**ASX RELEASE**

19 September 2006

**UPGRADE TO KYLYLAHTI RESOURCE**

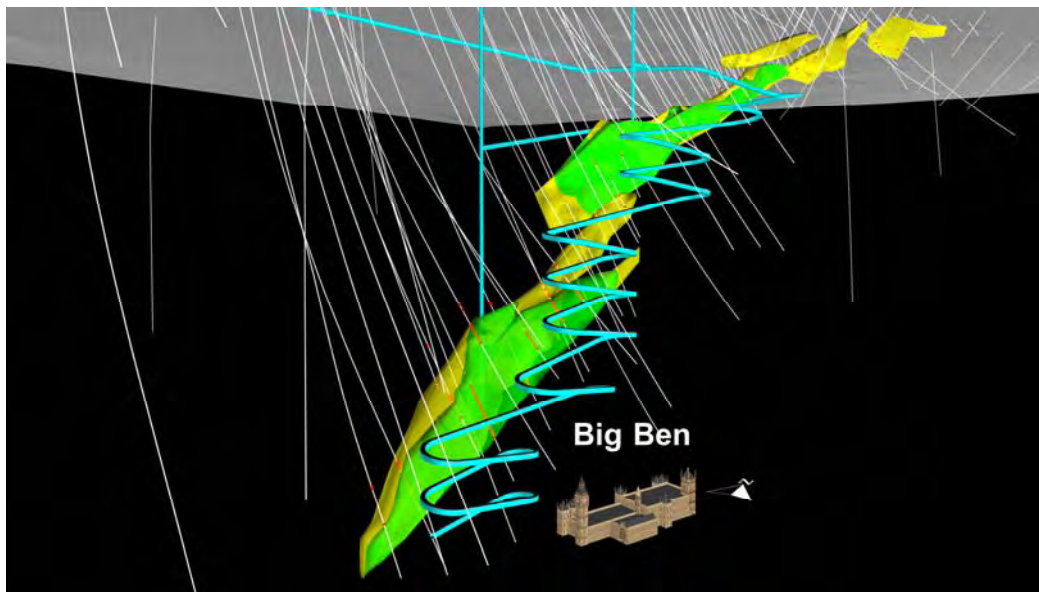
Base metals explorer and developer, Vulcan Resources Limited (ASX: VCN) ("Vulcan"), today announced an upgrade to Resources at the Kylylahti Copper-Cobalt Project in Finland as part of the current Definitive Feasibility Study.

Of particular significance are:

- The delineation of a high grade domain of 2.3Mt at 7.6% Cu eq within the Resource;
- A 32% increase in the size of Indicated Resources;
- A 10% increase in grades;
- Improved confidence with 94% in the Indicated category compared to 67% in the Pre-Feasibility Study; and
- Recent drilling up to 30 metres at 1.5% copper, 0.3% cobalt, 0.2% nickel, 0.5% zinc, 0.4g/t gold (5.9% copper eq)

All of these factors will lead to a material improvement in Reserves compared to Pre-Feasibility Study estimates.

The new Indicated and Inferred Resource estimate is 7.05Mt at 1.08% copper, 0.22% cobalt, 0.23% nickel, 0.44% zinc and 0.70 g/t gold (4.8% Cu eq). Details of this estimate are provided below.



*Three dimensional image of the Kylylahti Resource model showing semi-massive sulphides in green and disseminated sulphides in yellow and all drilling.*

The Resource at Kylylahti provides investors exposure to a basket of metals; it contains 76,000t copper; 15,500t cobalt; 16,300t nickel; 31,000t zinc and 159,000 ounces gold and extends from 100 metres below surface to 650 metres depth where it remains open. The Resource contains A\$1.5 billion of metal at long term prices and A\$2.4 billion at today's prices.

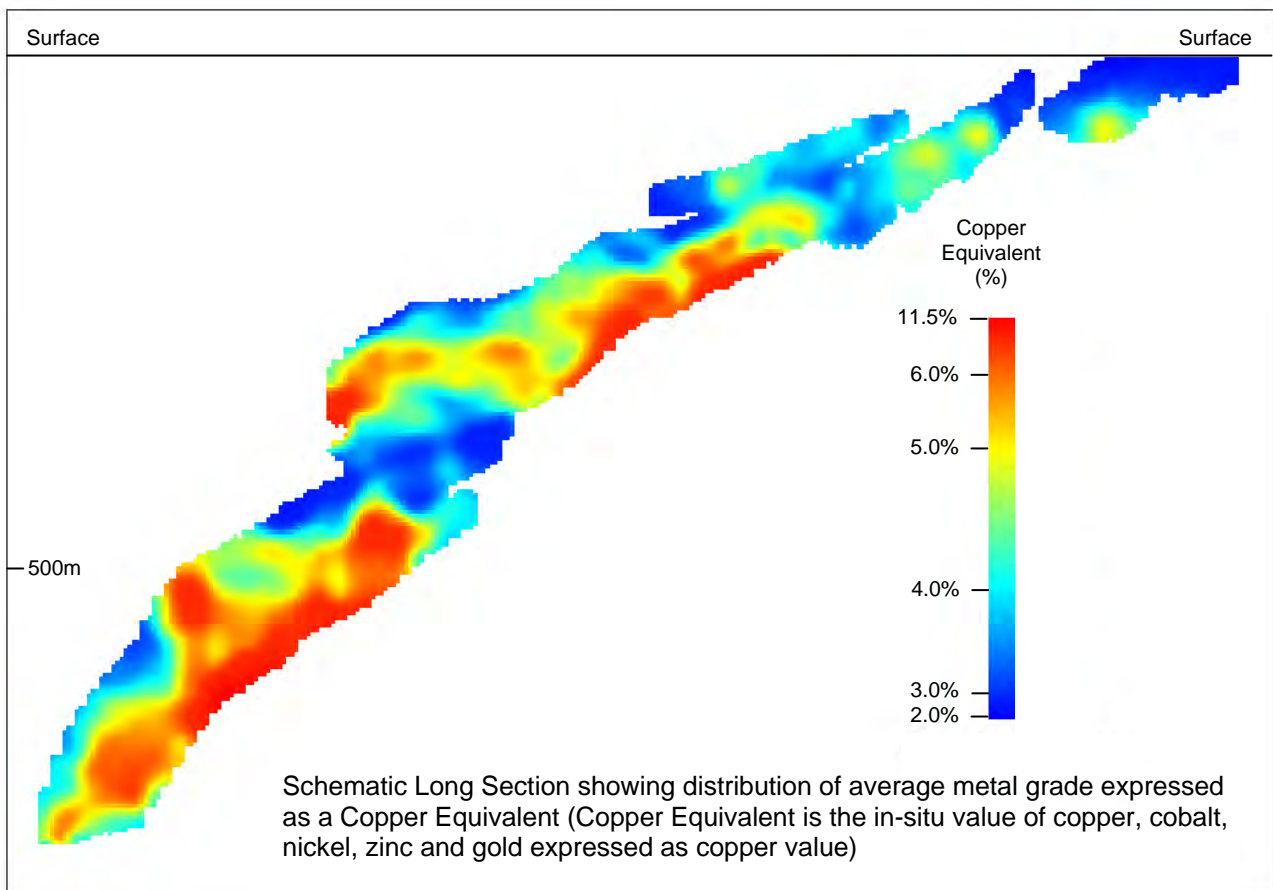
The deposit was discovered in 1984 by Outokumpu Oyj and was acquired by Vulcan in December 2004. Following extensive drilling, metallurgical and mining studies very little work was undertaken in the last decade as Outokumpu undertook their withdrawal from mining.

Vulcan Managing Director, Alistair Cowden, said that Vulcan has increased contained metal by 56% compared to previous Outokumpu estimates and the size of the deposit justifies the re-evaluation of mine life and of the mine plan from the Pre-Feasibility Study.

“The increase in the Indicated Resource and the definition of a high grade domain, being 7.5% copper equivalent or A\$335/t in-situ value, allows high grade production to be brought forward to the first years of production,” said Dr Cowden.

Current mine plans are that in the first 5 years of production the mine should produce at head grades of approximately 1.5-1.8% copper, 0.25-0.30% cobalt with substantial nickel, zinc and gold credits thus accelerating payback. Resources should support a 12 year mine life at a steady state mining rate of 550,000tpa.

An independent Resource Estimate will be prepared by Quantitative Geoscience as part of the Definitive Feasibility Study that is currently underway and is managed by SNC Lavalin Australia.



Recently received drilling results are given in Table 1 and have not been included in the estimate as not all assays are available. These include drilling for geotechnical purposes and for collection of sample for communitation testing work.

There remains potential for significant increases to the Resource. Drilling is still in progress and is now focussed on testing extensions of high grade mineralisation down plunge and testing of geophysical anomalies (offhole EM conductors).

The Company remains on track to complete the Definitive Feasibility Study in the first quarter of 2007 which allows for a development decision in mid 2007 and construction of the decline portal to begin immediately thereafter.

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**New Resource Estimate**

	<b>Tonnes</b>	<b>Cu (%)</b>	<b>Co (%)</b>	<b>Ni (%)</b>	<b>Zn (%)</b>	<b>Au (g/t)</b>	<b>In-Situ Value (US\$)</b>
Indicated Resource	6,614,512	1.07	0.22	0.23	0.44	0.70	161
Inferred Resource	436,229	1.22	0.21	0.26	0.45	0.74	167
<b>TOTAL</b>	<b>7,050,742</b>	<b>1.08</b>	<b>0.22</b>	<b>0.23</b>	<b>0.44</b>	<b>0.70</b>	<b>161</b>

This compares to 7.4Mt at 1.0% copper, 0.20% cobalt, 0.20% nickel, 0.40% zinc and 0.60 g/t gold results from the Pre-Feasibility Study estimates, only 5.0Mt was in the Indicated category.

Vulcan's drilling and geological modelling of the deposit has permitted the delineation of a high grade domain within the Indicated Resource which is:

<b>Tonnes</b>	<b>Cu (%)</b>	<b>Co (%)</b>	<b>Ni (%)</b>	<b>Zn (%)</b>	<b>Au (g/t)</b>	<b>In-Situ Value (US\$)</b>
2,283,000	2.29	0.36	0.16	0.70	1.00	252

Details of the Resource estimation methodology are given in Appendix 1 and a 3-D movie of the Resource is available on the Vulcan website.

In-situ value and copper equivalent are provided to aid investors assess the value of the polymetallic Resources. Please note that in-situ value does not equate to revenue that would be received which will be 60-70% of in-situ value. These parameters are estimated by utilising the following price assumptions: copper US\$1.50/lb, cobalt US\$16/lb, nickel US\$5.55/lb, gold US\$550/oz, zinc US\$0.77/lb.

The deposit has been sampled by diamond drilling generally on 35 metre or 50 metre spaced sections by various companies, including Vulcan. From this data three dimensional solids, of three domains defined on the basis of both the presence of sulphide mineralisation and geology; semi-massive, disseminated and hangingwall were created. The disseminated domains were defined at a nominal 0.1% cobalt cut-off and the semi-massive at a 1.0% copper cut-off, although areas of lower grade mineralisation have been incorporated for reasons of geological or mineralisation continuity. The Resource was then estimated for copper, cobalt, nickel, zinc, gold, sulphur using ordinary kriging into blocks of 5 metres by 25 metres by 5 metres (in the X, Y and Z planes respectively) constrained by the geological domains.

Classification into Indicated and Inferred Mineral Resources has been carried out according to JORC Code guidelines. The criteria used for classification were:

- Drill spacing (in general, areas of intersection 50 metre by 50 metre or better have been accorded a higher level of classification);

- Geological continuity (isolated domains of limited strike or dip extent have been downgraded); and
- Degree of extrapolation (areas extrapolated beyond the drilling have in general been accorded a lower level of classification).

These Resources have been reported according to the Australasian Code for the reporting of Exploration Results, Mineral Resources and Ore Reserves, 2004 (the JORC Code). The Resource estimates were made by and have been authorised by Nicholas Walker, MAIG, who is a Member of the Australian Institute of Geoscientists and who has over five years experience in the mining, interpretation and estimation of base metal deposits. Mr Walker consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Table 1: Recent Drilling Results from Kylylahti Project

Hole	From	To	Interval	Cu %	Co %	Ni %	Zn %	Au g/t	Cu eq	In-situ value (US\$)
OKU-925*	516.5	529.7	13.2	0.58	0.16	0.17	0.3	0.16	3.16	104.3
	552.83	563.95	11.12	1.14	0.15	0.02	0.24	0.26	3.08	101.7
OKU-926	No significant intersections									
OKU-928*	240.97	245	4.03	1.21	0.2	0.06	0.69	0.49	4.18	138.3
OKU-929	369	398.7	29.7	1.47	0.31	0.18	0.46	0.44	5.91	195.6
	incl 377	398.7	21.7	1.86	0.39	0.19	0.56	0.58	7.32	242.1
	incl 383.7	398.7	15	2.28	0.48	0.16	0.6	0.74	8.7	287.5

\*samples absent from interval for geotechnical testing, interval undiluted

### 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, 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.

## 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 completed a Pre-Feasibility Study in November 2005 and a Definitive Feasibility Study for development of a 500,000 tonnes per annum underground mine is in progress.

The current resource at Kylylahti is 7.05 million tonnes of 1.08% copper, 0.22% cobalt, 0.23% nickel, 0.44% zinc and 0.70 grams per tonne gold.

- The Kuhmo project is 95% owned by Vulcan and has extensive tenure in the Kuhmo-Suomussalmi greenstone belt. Twelve nickel sulphide occurrences have been identified and the mineralisation is directly analogous to that found in Western Australia.
- Vulcan has a number of 100% owned vanadium, platinum group element and nickel-copper prospects in layered intrusions in Northern Finland.

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.