

## NEWS RELEASE

7 July 2009

### KYLYLAHTI RESOURCE UPDATE DEFINITION OF A HIGH GRADE RESOURCE

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Vulcan Resources Limited ("Vulcan") (ASX: VCN, FSE: VUA, WKN: A0HHEF, Norwegian OTC: VCNR) today announced an updated Resource estimate for the Kylylahti Project. Vulcan has undertaken a revision of the deposit geological model following the drilling undertaken in 2008.

The major conclusions are:

1. Definition of a high grade Resource of **4.2 million tonnes at 1.8% copper, 0.3% cobalt, 0.2% nickel, 0.6% zinc and 0.7 g/t gold** (see Table 1) within the global Resource.
2. There has been a modest increase to the global Resource Estimate.
3. The deposit boundaries are better defined.
4. There is continuity of mineralisation across the 'gap' between Wallaby and Wombat.
5. Clarification of the significant potential to extend the deposit at depth.

The Kylylahti Project is fully permitted, a definitive feasibility study has been completed and front end engineering commenced. As markets failed in September 2008 the project was put on hold due to finance being difficult to obtain, collapsing metal prices and uncertainty on the ability of the proposed purchaser of nickel-cobalt concentrate having the ability to accept product.

Vulcan is now conducting technical work on alternative production and offtake strategies for Kylylahti. The delineation of the high grade Resource announced today will permit the investigation of alternative development and production scenarios.

*Table 1: 2008 High Grade Resource*

Classification	Tonnes	Copper (%)	Cobalt (%)	Nickel (%)	Zinc (%)	Gold (g/t)
Measured	340,000	1.95	0.33	0.13	0.58	0.75
Indicated	3,733,000	1.82	0.29	0.17	0.63	0.74
Inferred	119,000	1.39	0.30	0.17	0.68	0.62
<b>Total</b>	<b>4,192,000</b>	<b>1.82</b>	<b>0.29</b>	<b>0.16</b>	<b>0.63</b>	<b>0.74</b>

The high grade Resource was estimated at a nominal 0.7% copper cut-off grade and contains 52% of the tonnes of the global estimate and 79% of contained copper and 65% of contained cobalt. Full details of the estimation process are given in Appendix 1.

The updated global Resource is:

*Table 2: 2009 Global Resource*

<b>Classification</b>	<b>Tonnes</b>	<b>Cu (%)</b>	<b>Co (%)</b>	<b>Ni (%)</b>	<b>Zn (%)</b>	<b>Au (g/t)</b>
Measured	617,000	1.29	0.26	0.19	0.42	0.55
Indicated	7,135,000	1.19	0.24	0.22	0.47	0.68
Inferred	348,000	0.88	0.23	0.23	0.47	0.64
<b>Total</b>	<b>8,099,087</b>	<b>1.18</b>	<b>0.24</b>	<b>0.22</b>	<b>0.47</b>	<b>0.66</b>

The former global Resource as per ASX Release of 26 June 2007 was:

*Table 3: 2007 Global Resource*

<b>Classification</b>	<b>Tonnes</b>	<b>Cu (%)</b>	<b>Co (%)</b>	<b>Ni (%)</b>	<b>Zn (%)</b>	<b>Au (g/t)</b>
Measured	686,000	1.17	0.24	0.22	0.36	0.36
Indicated	6,973,000	1.17	0.24	0.22	0.50	0.50
Inferred	195,000	1.34	0.28	0.22	0.62	0.62
<b>Total</b>	<b>7,854,000</b>	<b>1.17</b>	<b>0.24</b>	<b>0.22</b>	<b>0.49</b>	<b>0.49</b>

The technical details of the Resource Estimation process are appended to this Release.

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## **About Vulcan**

Vulcan Resources Limited has base and precious metals development and exploration projects in Finland. These projects are on hold and Vulcan is currently focussed on acquiring near term development projects.

The 100% owned Kylylahti copper-cobalt project is located in eastern Finland which has a Resource of 8.1 million tonnes grading 1.18% copper, 0.24% cobalt, 0.22% nickel, 0.47% zinc and 0.66 g/t gold (ASX release dated 7 July 2009).

A Definitive Feasibility Study has been completed on a 10 year underground mine and concentrator producing copper-gold and cobalt-nickel-zinc concentrate for sale. All environmental and mining permits for the project are in place.

The Kuhmo Nickel Project is 95% owned by Vulcan and has a Resource containing 38,000 tonnes of nickel metal and over 80,000 ounces of platinum and palladium (for Resource Classification, see ASX release dated 22/08/06).

Vulcan is listed on the Australian Stock Exchange (VCN), the Frankfurt Stock Exchange (VUA) and the Norwegian OTC (VCNR).

## **Competent Person Statement**

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled and reviewed by Dr Alistair Cowden BSc (Hons), PhD, MAusIMM, MAIG and Mr Jarmo Vesanto, MSc (Geology), MAusIMM, 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 Jarmo Vesanto consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

## **Cautionary Statement**

No stock exchange, securities commission or other regulatory authority accepts responsibility for the adequacy or accuracy of this release or has approved or disapproved the information contained herein.

Statements regarding Vulcan's plans with respect to its mineral properties are forward-looking statements. There can be no assurance that Vulcan's plans for development of its mineral properties will proceed as currently expected. There can also be no assurance that Vulcan will be able to confirm the presence of additional mineral deposits, that any mineralisation will prove to be economic or that a mine will successfully be developed on any of Vulcan's mineral properties. Circumstances or management's estimates or opinions could change. The reader is cautioned not to place undue reliance on forward-looking statements.

## APPENDIX

### Resource Estimation Methodology

#### ***Background and Objectives***

Vulcan Resources Ltd (“Vulcan”) has completed a revised geological interpretation and update of the Resource estimate for the Kylylahti deposit in Finland. Quantitative Geoscience (“QG”) produced the previous Resource estimate in June 2007 (ASX Release dated 26 June 2007). The parameters determined in the previous estimates by QG (ASX Release dated 19 September 2006, ASX Release dated 26 June 2007) were utilised in this Resource estimate.

The Mineral Resource Estimate incorporates all additional drilling information since the last update in June 2007 and has been completed as per the following methodology:

1. Modifying the geological wireframes utilising new drilling information;
2. In-situ estimation of these variables by Ordinary Kriging (OK); and
3. Classification of the resource according to the JORC (2004) Code.

#### ***Drilling and data validation***

The deposit has been sampled by diamond drilling generally on 35 metre or 50 metre spaced sections with the major part of the data originating from Outokumpu’s base-metal exploration 1983-1998 (43,500 metres). Other data originates from talc-exploration, which has been active in the Kylylahti-area since 1965 (10,000 metres) Vulcan has also completed 26,605 metres of drilling.

Historic data was collected from Outokumpu and Geomex-databases. For the initial validation of the database 10 drillholes covering a) the entire length of current resource, b) the whole time-period of exploration and c) different companies, were chosen. All available information from these holes was checked against original documents and no major errors were found. The Kylylahti database currently contains 288 diamond drillholes, with 15,100 associated assay records. All historic drill collars, bar a few isolated drill holes, included in the Estimate have been physically located.

Vulcan re-analysed historic pulp samples from five historic drill holes that were well distributed temporally and spatially and with good ranges of grades. The Cu, Co, Ni and Zn repeat analyses correlate well with the original analyses

A site visit by Quantitative Group confirmed Vulcan’s sampling and sample preparation procedures for drilling at Kylylahti to be acceptable and concluded that the data collection processes for geological purposes including assaying and QA/QC are thorough and sufficient for the requirements of a Bankable Feasibility Study.

Snowden (ASX Release dated 9 April 2009) subsequently audited the work of QG and Vulcan and confirmed the data quality and Resource Estimation was of an acceptable industry standard.

#### ***Geological Interpretation***

The geological interpretation of the Kylylahti mineralisation was done on approximately 25m spaced east-west cross-sections. The mineralisation was subdivided into low grade/disseminated and high grade/semi-massive sulphide domains. The geological characteristics used to define the mineralised domains include lithological contacts, sulphide mineral species and abundance, as well as the levels of copper and cobalt. Three dimensional solids of the mineralised domains were then created from the cross section interpretation.

### ***Geological Domaining***

Geological domain criteria were developed by Vulcan geologists and are defined by geological observations aided by data analysis. The domains are those used in the previous estimate.

The copper domains are:

- >1.0% copper = high grade (semi-massive sulphides);
- >0.4% copper and <1.0% copper = low grade (disseminated sulphide); and
- <0.4% copper = background.

The cobalt and hangingwall domains are:

- >0.3% cobalt = high grade (semi-massive sulphides);
- >0.1% cobalt and <0.3% cobalt = low grade (disseminated sulphide); and
- <0.1% cobalt = background.

The domain wireframes have been created to minimise the inclusion of material below the cut-off grade. Domain boundaries are treated as 'hard' for estimation purposes. Recent drilling indicates the previously separated upper; "Wallaby" and lower "Wombat" lenses are connected forming a single continuous mineralised domain with both semi-massive and disseminated sulphide components. The Hangingwall Lens consists of disseminated mineralisation only.

The disseminated domain is defined at a nominal 0.1% cobalt cut-off and the semi-massive domain at a 1.0% copper cut-off, although areas of lower grade mineralisation have been incorporated for reasons of geological or mineralisation continuity. Within this global disseminated domain a separate low grade copper domain has been created at a nominal 0.4% copper cut-off. A separate high grade cobalt domain was also created using a 0.3% cut-off. The result of this modelling is a series of generally nested domains (within a global model) which were used to constrain the grade interpolation.

### ***Compositing and Top-cutting***

Drillhole samples were composited to 2 metres down-hole intervals controlled by the domain boundaries. Top-cuts were applied to gold and zinc values to control the influence of high grades on the local estimates. No top-cuts were applied to copper, cobalt, nickel or sulphur. Statistical analysis on the 2 metre composites was completed.

### ***Variography***

In previous estimates to determine variography the disseminated domains of Wallaby and Wombat were combined, and similarly, the two SMS domains were combined. This gave greater sample populations and enabled more robust variography to be determined. Given that recent drilling revealed the upper and lower lenses are in fact physically connected the previously generated variography is considered valid and were not recalculated, parameters from the June 2007 estimate were utilised.

The Hangingwall domain was treated separately. All variograms generated were traditional variograms using raw data.

### ***Estimation techniques***

The domain boundaries (between waste and disseminated, waste and semi-massive sulphide and disseminated and semi-massive sulphide) are treated as 'hard' for estimation purposes.

A variable cell block model was built in Surpac mining software. The volume model (describing the geometry of domains) was based on parent cells of 5 metres by 25 metres by 5 metres dimensions (in the X, Y and Z planes respectively) which were sub-celled to 0.5 metres x 2.5 metres x 0.5 metres blocks for more accurate volume representation of the domains.

Estimation by Ordinary Kriging was performed within the different domains for each of copper, cobalt, nickel, zinc, gold, sulphur and density. A second estimation pass using an expanded search ellipse was required to fill blocks not estimated in the first pass.

The estimates were validated by the use of graphing statistics for the samples and estimates on 50 metre spaced northing slices and 25 metre spaced RL slices for each domain. These graphs compare the means of the samples and estimates within each slice, along with the number of samples. The model estimates were also validated by visual comparison of the model grades against the drillhole.

### ***Resource Classification***

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

- Drill spacing: in general, areas where intersection density is 50 metre by 50 metre or better have been classified as Measured or Indicated;
- Geological continuity: areas of excellent continuity and where infill drilling has confirmed or exceeded prior models have been assigned as measured, areas of good continuity classified as Indicated and isolated domains of limited strike or dip extent have been classified as Inferred;
- Degree of extrapolation: areas extrapolated beyond the drilling have in general been classified as Inferred.

### **Competent Person Statement**

The information in this appendix to ASX release dated 7 July 2009 that relates to Exploration Results and Mineral Resources is based on a report prepared by Mr Nicholas Walker, BSc (Hons), MSc. MAIG. Mr Walker was formerly a full time employee of the Company and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Walker undertook the Resource estimate in the capacity of an independent consultant to Vulcan. Mr Walker has consented in writing to the inclusion in the report of the matters based on his information in the form and context in which it appears.