

# Vulcan Energy Resources Limited

## EV Materials

9 December 2021

Rating  
**SPECULATIVE BUY**

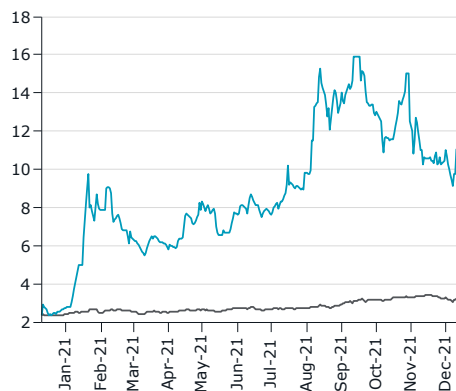
Price Target  
**A\$21.00**

**VUL-ASX**

Price  
**A\$11.62**

### Market Data

52-Week Range (A\$) :	2.25 - 16.65
Avg Daily Vol (000s) :	1,511.81
Shares Out. (M) :	124.4
Market Cap (A\$M) :	1,376.6
Dividend /Shr (A\$) :	0.00
Dividend Yield (%) :	0.0



— VUL  
— S&P/ASX Emerging Companies (rebased)

Source: FactSet

Priced as of close of business 10 December 2021

Vulcan is a European lithium development company progressing the Zero Carbon Lithium project in Germany. The development envisages a 40ktpa lithium hydroxide operation using DLE from geothermal wells which will also generate carbon free power. The process is expected to be carbon negative based life cycle analysis and if achieved, Vulcan would fundamentally change the carbon emission structure of the lithium industry.

Link to initiation: [Not unconventional... Untapped](#)

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## Executing to plan

### Acquisition of Insheim Geothermal plant accelerates/derisks

Vulcan has announced it has acquired the Insheim geothermal plant in Germany for €31.5m (Funded through cash). The plant generated €2.9m in EBITDA (10.8x) in 2020. The plant has been operating below its 4.8MW nameplate capacity, producing ~2.9MW of power however, Vulcan intends to expand and modernise the plant. An Indicated mineral Resource of 722kt LCE has previously been estimated for the project at 181mg/l Li. As we highlighted in our note ([Vulcan securing centre stage in the European Lithium race](#)) the acquisition of a producing asset would be seen as a significant derisking event as it would provide real world production data from wells and plants. It also serves to accelerate Vulcan's development plans as it now has a brine source for an early stage DLE plant. In addition to this Vulcan is now generating revenues and can be classified as one of the few ASX-listed green power producers.

### Landau brine offtake boosts volumes

Vulcan has also signed an offtake agreement with the Landau geothermal plant for access to brine from the operation. During production testing, this produced at a rate of 100l/s; however, the re-injection well was not able to cope with this level of production. Vulcan will finance an additional reinjection well to boost production. Vulcan will access the brine under a paid agreement and while numbers were not provided, our model scenario currently has a "royalty" being paid between the lithium and brine operations however it does not impact our valuation significantly if pricing is flexed or royalty doubled. Importantly grades from the plant of 180mg/l Li have been reported and add weight to Vulcan's Resource and production estimates.

### Updated DFS expected in 2H 2022 - getting bigger!

Given the announced acquisition and offtake agreement, Vulcan aims to deliver an updated DFS in the second half of 2022. This will likely entail an up-scaled plant with possible early production from the newly acquired facilities, in our view. We had previously forecasted first production in 2025, reaching its full 40ktpa production rate in 2028 and this now may prove to be conservative. Vulcan has signed offtake agreements which if delivered at the top end of estimates would exceed 40ktpa. Vulcan now has a history of moving the Zero Carbon Lithium project forward and has now significantly derisked its profile as it has moved from zero wells under its control to effectively controlling four. On our estimates, the current plants would be pumping 4-6ktpa of lithium back underground.

We are hosting a conference call with Vulcan Wednesday 15th of December at 11:05 AEST. [Please RSVP if you would like the dial in details.](#)

## Appendix: Important Disclosures

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### Investment Recommendation

Date and time of first dissemination: December 09, 2021, 20:51 ET

Date and time of production: December 09, 2021, 20:51 ET

### Target Price / Valuation Methodology:

Vulcan Energy Resources Limited - VUL

Our price target is set in line with our NAV with a 60% risk weighting. We use US\$15,000/t LiOH prices, 1.58 EUR/AUD exchange rates and discount rates of 8% for the lithium business and 5% for the energy business.

### Risks to achieving Target Price / Valuation:

Vulcan Energy Resources Limited - VUL

Risks include pricing, delivery, resource size and grades, capex and opex estimates and production schedules.

### Distribution of Ratings:

#### Global Stock Ratings (as of 12/09/21)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	654	68.84%	45.26%
Hold	138	14.53%	26.09%
Sell	9	0.95%	33.33%
Speculative Buy	144	15.16%	61.81%
	950*	100.0%	

\*Total includes stocks that are Under Review

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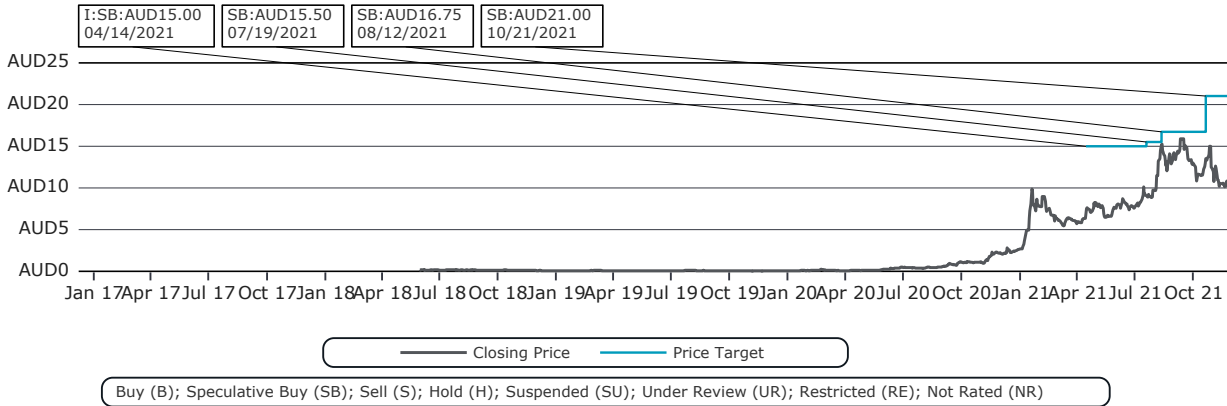
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**Vulcan Energy Resources Limited Rating History as of 12/08/2021**



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