

Vulcan Energy Resources Limited

EV Materials

8 December 2021

Rating
SPECULATIVE BUY

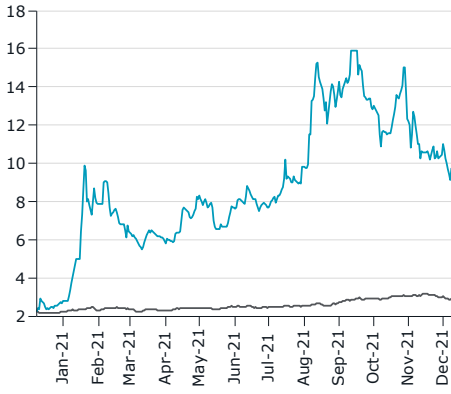
Price Target
A\$21.00

VUL-ASX

Price
A\$9.72

Market Data

52-Week Range (A\$) :	2.10 - 16.65
Avg Daily Vol (000s) :	1,798.00
Shares Out. (M) :	124.4
Market Cap (A\$M) :	1,208.7
Dividend /Shr (A\$) :	0.00
Dividend Yield (%) :	0.0



Source: FactSet

Priced as of close of business 8 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](#)

Canaccord Genuity (Australia) Limited has received a fee as Joint Lead Manager to the Vulcan Energy Resources Limited Capital Raising announced 2 February 2021.

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Das Auto!

Vulcan signs lithium offtake with VW

Vulcan has signed a definitive offtake agreement with Volkswagen for 34-42kt of lithium hydroxide over five years from 2026. This follows on from the 81-99kt offtake agreement [signed with Stellantis at the end of November](#). The definitive agreement has similar terms to Vulcan's other offtake agreements, conditional on qualification and delivery of product. Pricing is to be based on market rates on a 'take or pay' basis. The VW offtake essentially fills the sales book for Vulcan over the first five to six years of production (see below).

As part of the agreement **VW now has first right of refusal to invest in additional capacity** once commercial operations have started and final product qualification. This demonstrates the level of confidence VW has in the Zero Carbon Lithium project following its due diligence, in our view, and could signal a larger scale development.

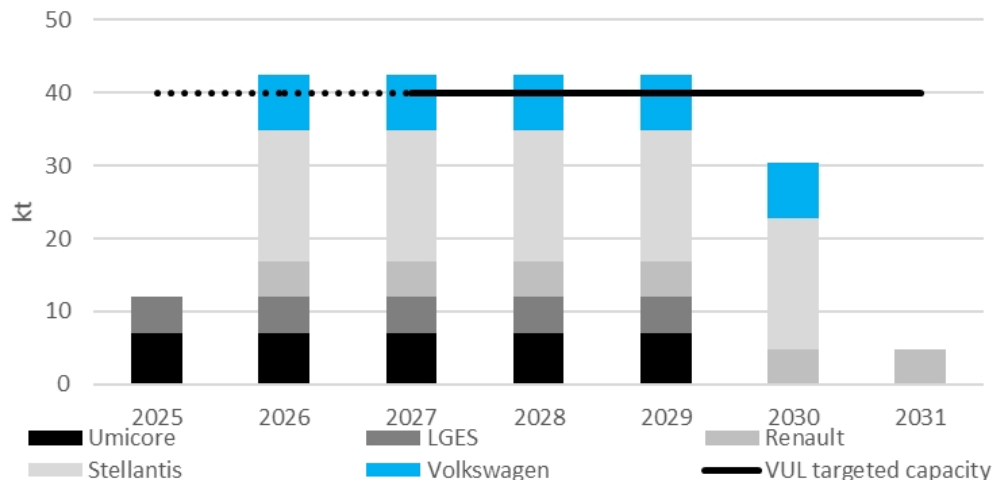
The five offtake agreements Vulcan has signed:

- Volkswagen - 34-42kt over five years from 2026
- Stellantis - 81-99kt over five years from 2026
- Renault - 26-32kt over six years from 2026
- Umicore - 28-42kt over five years from 2025
- LG Energy Systems - up to 50kt over five years from 2025

VW needs no introduction, it is the world's largest automaker has made a determined move into the EV sector. We think of it as the fastest follower to Tesla, as we highlighted at the [VW 'Power Day'](#). VW is aiming to develop its battery supply chain targeting pack cost reductions of 50% through standardisation of pack form and variable chemistries, 240GW by 2030 of battery manufacturing capacity across Europe with the ability to move upstream and downstream, enhanced charging networks and a move into power storage.

Today VW also announced a JV with Umicore to develop precursor and cathode material production capacity in Europe. Starting in 2025 with initial production for VW's 20GWh plant in Salzgitter, Germany, and growing to 160GWh by 2030 (powering 2.2m EVs). VW and Umicore will also explore refining and recycling opportunities with a strong focus on sustainable sourcing of raw materials.

Vulcan has locked away much of its first five years of production



Source: Company data (mid-point of annualised data); * Dashed line represents CGe ramp-up period to 40ktpa capacity.

Appendix: Important Disclosures

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Investment Recommendation

Date and time of first dissemination: December 08, 2021, 02:59 ET

Date and time of production: December 08, 2021, 02:59 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 12/08/21)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	654	68.99%	45.26%
Hold	137	14.45%	26.28%
Sell	9	0.95%	33.33%
Speculative Buy	143	15.08%	62.24%
	948*	100.0%	

*Total includes stocks that are Under Review

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NOT RATED: Canaccord Genuity does not provide research coverage of the relevant issuer.

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12-Month Recommendation History (as of date same as the Global Stock Ratings table)

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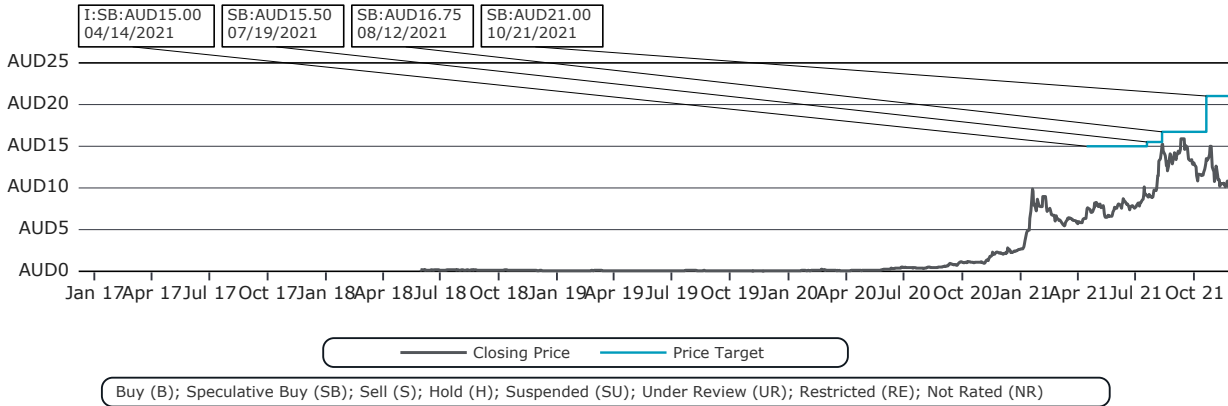
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Vulcan Energy Resources Limited Rating History as of 12/07/2021



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