

# Vulcan Energy Resources Limited

## EV Materials

27 July 2022

Rating  
**SPECULATIVE BUY**

Price Target  
**A\$23.00**

**VUL-ASX**

Price  
**A\$7.46**

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## Community support building

### Community support rallying around the energy transition

Vulcan has announced the positive outcome of a number of municipality and city council votes regarding acquisition of 3D seismic data for the Zero Carbon Lithium project in Germany. Our interpretation is that the local communities are keenly aware of the current energy situation in Europe and are beginning to see what we see in Vulcan: a business that can contribute to disconnecting from fossil fuel energy systems at the same time as developing an in-country lithium supply chain. While there are many more approvals needed before the project can commence, the 3D data is essential to a key bottleneck in the development, drilling. It is also a positive step that, at the local level, Vulcan is using best practice approval processes to gather community support.

### Votes open doors to 3D seismic before future drilling

The eight municipalities and cities are largely focussed around the existing Insheim and Landau plants where there is already 2D seismic. This is the primary focus for Vulcan given it is part of the Phase 1 development plan. The votes allow Vulcan to begin 3D seismic test work which will ultimately enhance the definition of the resource but also generate targets for drilling. Upon completion, we would expect Phase 2 areas (Ortenau etc) to become a focus, noting that Taro already has 3D seismic and the City of Mannheim is already supportive given the heat offtake already signed (no votes needed).

### Logical steps to derisking drilling

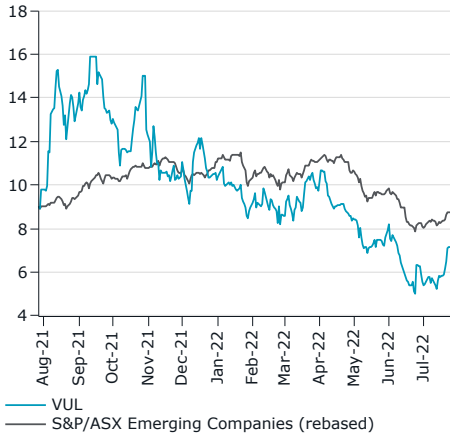
Given the background of hydrocarbon exploration and 2D seismic that has already occurred in the area, Vulcan is not beginning from a standing start. That being said, 3D seismic is a logical step for VUL to undertake in order to target high flow-rate zones (fractured and/or permeable strata). While there are always risks regarding deep drilling, this should increase the probability of success, in our view. Pre-design is underway for the 3D seismic work which VUL expects to begin in September this year.

### Ciao Italia

Vulcan has also signed a binding agreement with Enel Green Power (EGP) to explore and develop geothermal lithium in Italy. The agreement sets out to evaluate VUL's Cesano license in Italy through a joint scoping study (move to 50:50 ownership). This was previously drilled by Enel Group, with hot brine (210°C), elevated lithium values (350ppm) at a rate of 250t/hr. The agreement also lays the foundation to evaluate further opportunities throughout Italy. EGP is a part of the Enel Group and is dedicated to the development of green energy generations. It currently manages 54.2GW of capacity, of which 0.92GW is geothermal power and 0.77GW is geothermal within Europe. This places the company within the top 20 geothermal production companies globally (in 2019). We would anticipate a slow burn on capital spend in Italy but as the world looks to put a lock on resources, we think it shows Vulcan has an advantage in partnering and may be able to leverage existing company positions while they benefit from Vulcan's lithium experience.

#### Market Data

52-Week Range (A\$) :	4.76 - 16.65
Avg Daily Vol (000s) :	774.95
Shares Out. (M) :	143.3
Market Cap (A\$M) :	1,069.3
Dividend /Shr (A\$) :	0.00
Dividend Yield (%) :	0.0



Source: FactSet

Priced as of close of business 27 July 2022

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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Date and time of first dissemination: July 27, 2022, 09:24 ET

Date and time of production: July 27, 2022, 09:24 ET

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Vulcan Energy Resources Limited - VUL

Our price target is set in line with our NAV with a 60% risk weighting. We use US\$17,500/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.

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#### Global Stock Ratings (as of 07/27/22)

Rating	Coverage Universe		IB Clients
	#	%	%
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Hold	127	13.41%	14.96%
Sell	11	1.16%	18.18%
Speculative Buy	158	16.68%	39.87%
	947*	100.0%	

\*Total includes stocks that are Under Review

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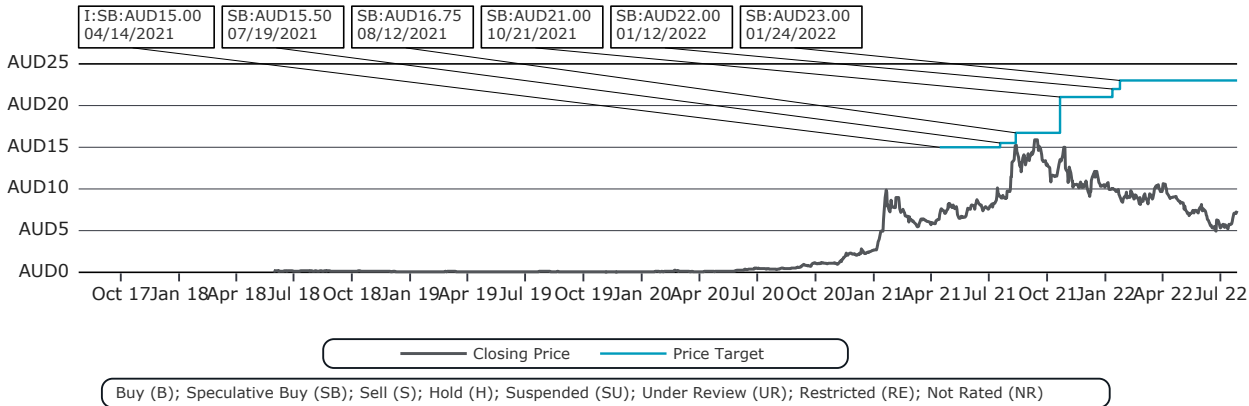
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**Vulcan Energy Resources Limited Rating History as of 07/26/2022**



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