

**ASX ANNOUNCEMENT**

20 January 2021

Ms Belinda Giles  
Adviser, Listings Compliance (Perth)  
ASX Limited

Via email: ListingsCompliancePerth@asx.com.au

Dear Belinda,

RE: Response to ASX Aware Query

Vulcan Energy Resources Ltd (ASX: VUL, **Vulcan** or the **Company**) refers to your ASX Aware Query letter dated 18 January 2021 and provides the following responses to your queries in the order in which they appear. For ease of reference, we have restated your queries in full. Terms which are defined in your letter have the same meaning where used in this response.

1. **Does VUL consider the outcomes of the PFS, including the Financial Forecast Information and the Production Targets, to be information that a reasonable person would expect to have a material effect on the price or value of its securities?**

Yes

2. **Does VUL consider the Ore Reserves Statement to be information that a reasonable person would expect to have a material effect on the price or value of its securities?**

Yes

3. **If the answer to question 1 is “no”, please advise the basis for that view.**

Not applicable

4. **If the answer to question 2 is “no”, please advise the basis for that view.**

Not applicable

5. **When did VUL first become aware of the completion of the PFS? As part of your answer please make specific reference to when VUL first became aware of:**

- 5.1 **the Financial Forecast Information (for each element specified in paragraph A(i)-A(iv) above please answer separately); and**

In relation to the Financial Forecast Information referred to in paragraphs A(i) to (iv) of your Aware Query letter, Vulcan VP Business Development and consultants Optiro Pty Ltd prepared and provided an initial draft financial model to the Vulcan management team on 11 December 2020. This initial draft financial model included:

- draft NPV figures (pre and post-tax) for the Project (paragraph A(i) in your Aware Query letter);

- draft internal rates of return for the Project (pre and post-tax) (paragraph A(ii) in your Aware Query letter);
- draft CAPEX numbers for the Project (paragraph A(iii) in your Aware Query letter); and
- draft OPEX numbers for the Project (paragraph A(iv) in your Aware Query letter).

This initial draft financial model was used as a basis for other parts of the PFS, including the draft Ore Reserves, and was updated on 23 December 2020 following changes to the geothermal Feed-in Tariff by the German government (the Company announced these changes on ASX on 21 December 2020). This updated draft financial model (including the draft NPV figures) was then collated into the full PFS report (approximately 1,000 pages in length) by Vulcan management during the period from 23 December 2020 until it was provided as a summary to the Board for review together with a draft of the Announcement on 5 January 2021.

**5.2 the Production Targets (please address the production targets for the Taro and Ortenau licences separately).**

Consultants in Germany prepared and provided an initial draft report to Vulcan management, containing the Production Targets for the Taro license and the Ortenau license on 17 December 2020. Following receipt by management, this report was then provided to GLJ Ltd. (a third-party Competent Person) for review, comment and sign off.

Once the initial Competent Person sign-off was received on 19 December 2020, the Production Targets were integrated into the full PFS report (approximately 1,000 pages in length) by management, which was provided to the Board in summary for review together with a draft of the Announcement on 5 January 2021. Final Competent Person sign off for the Production Targets, following updating and summarising the information in the Pre-Feasibility Study, was received on 7 January 2021.

**6. When did VUL first become aware of Ore Reserve Statement? Please provide details, including the date of the competent person sign-off for the Ore Reserve Statement.**

The Company's consultants in Germany prepared and provided an initial draft report to management, containing the Ore Reserve Statement on 17 December 2020. Following receipt by management, this report was then provided to GLJ Ltd. (a third-party Competent Person) for review, comment and sign off.

The Competent Person initially signed off for the Ore Reserve Statement, using the draft parameters from the PFS, on 18 December 2020, and that sign off was delivered to management by email on 19 December 2020.

This version of the Ore Reserve Statement relied on the draft financial model for the PFS referred to in the responses above. As noted in the responses above, this draft financial model was updated on 23 December 2020 to take account of the changes to the geothermal Feed-in Tariff by the German Government.

The Ore Reserves Statement was then integrated into the overall PFS report (approximately 1,000 pages in length) by management, which was provided to the Board in summary for review together with a draft of the Announcement on 5 January 2021.

The final PFS report and Ore Reserve Statement was provided to the Competent Person (GLJ Ltd.) for review and approval on 5 January 2021 (when the PFS Report was provided to the Board in summary with a draft of the Announcement). The Competent Person gave its final sign off by email on 7 January 2021.

7. **If the answer to question 1 is “yes” and VUL first became aware of the outcomes of the PFS (or any part thereof) including the Financial Forecast Information (or any part thereof) and/or the Production Targets (or any part thereof) before 15 January 2021, did VUL make any announcement prior to the relevant date which disclosed that information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe VUL was obliged to release that information under Listing Rules 3.1 and 3.1A and what steps VUL took to ensure that the information was released promptly and without delay.**

No, the Company did not announce any of the outcomes of the PFS (including the Financial Forecast Information or the Production Targets) prior to the release of the Announcement on 15 January 2021.

The Company considers that as soon as it had received all of the individual components necessary to complete the PFS, it acted promptly and without delay to compile and summarise the individual components into a PFS report and draft ASX announcement. As noted in the responses above, the PFS report document amounted to approximately 1,000 pages, and the summary in the announcement was approximately 90 pages in length.

The Company hired additional staff to ensure prompt completion of this work during the Christmas holiday period where many of the relevant staff and consultants were on leave.

As noted in the above responses, the PFS report was circulated to the Board for review with a draft of the Announcement on 5 January 2021. The Board approved the draft Announcement to be sent to ASX for review on 6 January 2021, following which the Company’s lawyers promptly sent the draft Announcement to ASX for review. As noted in the Company’s email to ASX on that date, the Announcement remained in draft at that time and subject to final review and sign off by the Board and relevant consultants and competent persons.

During the period from 6 January 2021 until the Announcement was released, the Company and its lawyers liaised with ASX to address questions and comments which ASX raised on the draft Announcement. ASX informed the Company that it had no further comments after close of market on 14 January 2021. The Company then released the Announcement (including the Financial Forecast Information, the Production Targets and the Ore Reserve Statement) on the ASX Company Announcements Platform pre-market on 15 January 2021.

As noted in your Aware Query letter, trading prices and volumes for the Company’s securities increased during the period from 4 January 2021 until it requested a trading halt on 11 January 2021 pending an announcement in relation to the PFS.

The Company considers that confidentiality was maintained in relation to the results of the PFS and the contents of the Announcement (including the Financial Forecast Information, the Production Targets and the Ore Reserve Statements) at all times up until the Announcement

was released. The Company does not consider that the increase in trading prices and volumes for its securities was due to a loss of confidentiality in relation to that information.

The Company considered that the increase in trading prices and volumes for its securities during that period was likely due to a combination of the following factors:

- a) On 15 December 2020, the Company provided the following information to shareholders via an ASX announcement: "With the majority of the PFS work completed, we expect final review to be concluded by January, so we look forward to an exciting start for shareholders in 2021." Accordingly, the market was aware that the PFS results were due for release in January.
- b) On 21 December 2020, the Company announced that the German Parliament and Federal Council (Bundesrat) had voted in favour of a positive Act amendment related to geothermal electricity production, by extending the Feed-in Tariff for geothermal energy, which is one the world's highest, to support geothermal energy production. This was then widely publicised by international press over the following weeks.
- c) In December 2020, there were major announcements in the European Union affecting demand for Vulcan's Zero Carbon Lithium® product, namely:
  - a. The EU announced a new battery regulation which would limit the CO2 able to be produced in battery production, including raw materials such as lithium, and ensure sustainable sourcing. This has created significant interest in Vulcan's unique, locally and sustainably sourced, world-first Zero Carbon Lithium® offering.
  - b. The EU, already the fastest growing lithium market in the world, announced a target of 30 million electric vehicles on the road by 2030.
- d) Germany, the largest automotive market in Europe, announced it had reached an unprecedented >20% penetration of electric vehicles into the automotive market.
- e) On 4 January 2021, globally recognised analyst SP Global announced a steep rise in lithium price to a 13-month high. Share prices for most listed companies in the lithium sector recorded rises during the following week as a result.
- f) On 6 January 2021, the Company was featured as a key stock on national television station SBS, in the programme "On the Money" with Ricardo Goncalves.
- g) On 7 January 2021, USA President Trump effectively conceded that there would be a new administration entering the White House, giving up his legal fight to challenge this. President-elect Biden has created significant excitement over lithium-battery powered electric vehicles, who promoted two distinct EV policies in his campaign climate plan. First, his Day One "unprecedented executive actions" include moving the federal government procurement system toward 100 percent "clean energy and zero-emissions vehicles" as well as making sure U.S. fuel-economy standards are set so they get "100 percent of new sales for light- and medium-duty vehicles [to] be electrified" alongside annual improvements for heavy-duty vehicles. Second, Biden's "Year One Legislative Agenda" is to include accelerating the deployment of electric vehicles by working with governors and mayors to deploy over 500,000 new public charging outlets by the end of 2030. The plan also calls for restoring the federal

government's electric-vehicle tax credit and targeting it toward middle-class consumers while prioritizing electric vehicles made in America when possible. Biden's upcoming inauguration is expected to be another global pivot point in electric vehicle, and thus lithium, demand, and this is also creating momentum in listed lithium equities.

- h) On 11 January 2021, Der Aktionär, a major German financial newsletter, independently published a price target on Vulcan of €6 (approximately A\$9.50 at the then prevailing exchange rate).
- i) Increased interest in Vulcan's Frankfurt listing resulted in significantly more trading in Europe in VUL during this period.
- j) Unilateral trade actions by China during December-January precipitated increased online commentary for Europe to secure its own domestic lithium hydroxide supply, of which Europe currently has no domestic production, and China controls 80% of the global market. This sentiment was also echoed recently by European Commission Vice President Maros Sefkovic, and the European Battery Alliance, of which Vulcan is an active member.

- 8. If the answer to question 2 is "yes" and VUL first became aware of the Ore Reserve Statement before 15 January 2021, did VUL make any announcement prior to the relevant date which disclosed that information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe VUL was obliged to release that information under Listing Rules 3.1 and 3.1A and what steps VUL took to ensure that the information was released promptly and without delay.**

No, the Company did not announce the Ore Reserve Statement prior to the release of the Announcement on 15 January 2021.

The Ore Reserve Statement depends on and is inter-related with the Modifying Factors contained within the PFS. As noted in the responses above, the full PFS report was provided to the Competent Person on 5 January 2021 (at the same time as it was provided to the Board in summary form with a draft of the Announcement).

Without all key pieces comprising the PFS and Ore Reserve Statement, the Company would not have a reasonable basis for the relevant forward-looking statements in either.

As noted in the responses above, the Company received approval from the Competent Person by email on 7 January 2021, by which time the Company had already provided a draft of the Announcement to ASX for review (on 6 January 2021).

Please refer to the response to question 7 for the timeline for release of the Announcement.

- 9. Please confirm that VUL is complying with the Listing Rules and, in particular, Listing Rule 3.1.**

The Company confirms it is in compliance with the Listing Rules and in particular, Listing Rule 3.1.

10. Please confirm that VUL's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of VUL with delegated authority from the board to respond to ASX on disclosure matters.

The Company confirms that its responses to the questions above have been authorised and approved by Vulcan's Board of Directors.

Yours faithfully,

**Robert Ierace**  
Company Secretary

Vulcan Energy Resources Limited  
T: 08 6189 8767  
E: [info@v-er.eu](mailto:info@v-er.eu)



18 January 2021

Reference: 29586

Mr Rob Ierace  
Company Secretary  
Vulcan Energy Resources Limited

By email

Dear Mr Ierace

**Vulcan Energy Resources Limited ('VUL'): Aware Query**

ASX refers to the following:

- A. VUL's announcement entitled "Positive PFS & Maiden JORC Ore Reserve: Zero Carbon Lithium Project" released on the ASX Market Announcements Platform on 15 January 2020 (the 'Announcement'), disclosing the outcomes of a pre-feasibility study ('PFS') and a maiden JORC ore reserve for VUL's Zero Carbon Lithium project (the 'Project'). The Announcement disclosed information regarding the Project including, but not limited to, the following:
- (i) an estimated post-tax net present value of €2.25b (full project, no phasing) or a post-tax net present value of €700m for phase 1 and €1.4b for phase 2;
  - (ii) an estimated pre-tax internal rate of return of 26% and a post-tax internal rate of return of 21% for a combined renewable energy & lithium business, or a pre-tax internal rate of return of 31% and post-tax internal rate of return of 26% for a lithium business (separate from renewable energy);
  - (iii) estimated CAPEX of €1.74b (full project, no phasing) or a CAPEX of €700m for phase 1 and €1.14b for phase 2;
  - (iv) estimated OPEX of €2,640/t of LiOH (full project, no phasing) or an OPEX of €3,127/t LiOH for phase 1 and €2,785/t LiOH for phase 2;
- (referred to as the 'Financial Forecast Information'),
- (v) an LCE production target for the Taro licence of 420,846 t over 30 years (mid/base case);
  - (vi) an LCE production target for the Ortenau licence of 701,409 t over 30 years (mid/base case); and
- (referred to as the 'Production Targets'),
- (vii) a maiden probable ore reserve of 1.12Mt LCE at 181 mg/l Li across VUL's Ortenau and Taro licences in the Upper Rhine Valley region of Germany (referred to as the 'Ore Reserve Statement').
- B. The change in the price of VUL's securities from a low of \$2.73 on 4 January 2021 to a high of \$5.68 on 11 January 2021.
- C. The increase in the volume of VAL's securities traded between 5 January 2021 and 11 January 2021.
- D. VUL's request for a trading halt on 11 January 2021 pending an announcement in relation to a pre-feasibility study for the Project.
- E. VUL's request for voluntary suspension on 13 January 2021 pending an announcement in relation to a pre-feasibility study for the Project.

- F. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
- G. The definition of "aware" in Chapter 19 of the Listing Rules, which states that:
- "an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity" and section 4.4 in Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B "When does an entity become aware of information."*
- H. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.
- "3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:*
- 3.1A.1 One or more of the following applies:*
- It would be a breach of a law to disclose the information;*
  - The information concerns an incomplete proposal or negotiation;*
  - The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
  - The information is generated for the internal management purposes of the entity; or*
  - The information is a trade secret; and*
- 3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and*
- 3.1A.3 A reasonable person would not expect the information to be disclosed."*
- I. ASX's policy position on the concept of "confidentiality", which is detailed in section 5.8 of Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B. In particular, the Guidance Note states that:
- "Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule."*

#### **Request for information**

Having regard to the above, ASX asks VUL to respond separately to each of the following questions and requests for information:

1. Does VUL consider the outcomes of the PFS, including the Financial Forecast Information and the Production Targets, to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
2. Does VUL consider the Ore Reserve Statement to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
3. If the answer to question 1 is "no", please advise the basis for that view.
4. If the answer to question 2 is "no", please advise the basis for that view.

5. When did VUL first become aware of the completion of the PFS? As part of your answer please make specific reference to when VUL first became aware of:
- 5.1 the Financial Forecast Information (for each element specified in paragraph A(i)-A(iv) above please answer separately); and
  - 5.2 the Production Targets (please address the production targets for the Taro and Ortenau licences separately).
6. When did VUL first become aware of Ore Reserve Statement? Please provide details, including the date of the competent person sign-off for the Ore Reserve Statement.
7. If the answer to question 1 is “yes” and VUL first became aware of the outcomes of the PFS (or any part thereof) including the Financial Forecast Information (or any part thereof) and/or the Production Targets (or any part thereof) before 15 January 2021, did VUL make any announcement prior to the relevant date which disclosed that information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe VUL was obliged to release that information under Listing Rules 3.1 and 3.1A and what steps VUL took to ensure that the information was released promptly and without delay.
8. If the answer to question 2 is “yes” and VUL first became aware of the Ore Reserve Statement before 15 January 2021, did VUL make any announcement prior to the relevant date which disclosed that information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe VUL was obliged to release that information under Listing Rules 3.1 and 3.1A and what steps VUL took to ensure that the information was released promptly and without delay.
9. Please confirm that VUL is complying with the Listing Rules and, in particular, Listing Rule 3.1.
10. Please confirm that VUL’s responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of VUL with delegated authority from the board to respond to ASX on disclosure matters.

#### When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **4.00 PM AWST Thursday, 21 January 2021**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, VUL’s obligation is to disclose the information ‘immediately’. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require VUL to request a trading halt immediately.

Your response should be sent to me by e-mail at **ListingsCompliancePerth@asx.com.au**. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

#### Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in VUL’s securities under Listing Rule 17.1. If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;

- 
- the event you expect to happen that will end the trading halt;
  - that you are not aware of any reason why the trading halt should not be granted; and
  - any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

### **Suspension**

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in VUL's securities under Listing Rule 17.3.

### **Listing Rules 3.1 and 3.1A**

In responding to this letter, you should have regard to VUL's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that VUL's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

### **Release of correspondence between ASX and entity**

We reserve the right to release a copy of this letter, your reply and any other related correspondence between us to the market under listing rule 18.7A.

### **Questions**

If you have any questions in relation to the above, please do not hesitate to contact me.

Yours faithfully

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**Belinda Giles**

Adviser, Listings Compliance (Perth)