



VULCAN ENERGY RESOURCES LIMITED

(formerly Koppa Resources Limited)

ABN 38 624 223 132

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2019

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Corporate Directory

Board of Directors

Mr Gavin Rezos	Non-Executive Chairman (appointed 4 September 2019)
Dr Francis Wedin	Managing Director (appointed 4 September 2019)
Dr Horst Kreuter	Executive Director (appointed 19 December 2019)

Secretary

Mr Mauro Piccini

Registered Office

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Telephone: 08 6559 1792

Website: www.v-er.com

Stock Exchange Listing

Listed on the Australian Securities Exchange (ASX Code: VUL)

Auditors

RSM Australia Partners
Level 32, Exchange Tower
2 The Esplanade
Perth WA 6000

Solicitors

Steinepreis Paganin
16 Milligan St
Perth WA 6000

Bankers

Westpac Banking Corporation
Level 4, Brookfield Place, Tower Two
123 St Georges Terrace
Perth WA 6000

Share Registry

Automic Share Registry
Level 2, 267 St Georges Terrace
Perth WA 6000

Telephone: 1300 288 664

Directors' Report

The Directors of Vulcan Energy Resources Limited (formerly Koppa Resources Limited) ("Vulcan Energy", "VUL" or "the Company") present their report, together with the financial statements on the consolidated entity consisting of Vulcan Energy Resources Limited and its controlled entities for the half-year ended 31 December 2019 ("the Period").

It is recommended that the Directors' Report be read in conjunction with the annual financial statements for the year ended 30 June 2019 and considered together with any public announcement made by the Company during the Period and up to the date of this report.

DIRECTORS

The names of the Company's Directors who held office during the Period and until the date of this report are set out below. Directors were in office for this entire Period unless otherwise stated.

Director	Position
Mr Gavin Rezos	Non-Executive Chairman (appointed 4 September 2019)
Dr Francis Wedin	Managing Director (appointed 4 September 2019)
Dr Horst Kreuter	Executive Director (appointed 19 December 2019)
Mr William Oliver	Non-Executive Director (resigned 19 November 2019)
Mr Patrick Burke	Non-Executive Director (resigned 31 December 2019)
Ms Rebecca Morgan	Non-Executive Technical Director (resigned 4 September 2019)

REVIEW OF OPERATIONS

Vulcan Zero Carbon Lithium™ Project

On 4 September 2019, the Company successfully completed its Acquisition of the **Vulcan Zero Carbon Lithium™ Project** in the Upper Rhine Valley of Germany. The Vulcan Zero Carbon Lithium™ Project is aiming to be Europe's and the world's first Zero Carbon Lithium™ project. It aims to achieve this by producing battery-grade lithium hydroxide from hot sub-surface geothermal brines pumped from wells, with a renewable energy by-product, without the need for hard-rock mining. The Company recently announced Europe's largest JORC Resource (Indicated and Inferred) of 13.95 Mt contained Lithium Carbonate Equivalent (LCE) at the Vulcan Lithium Project¹. The burgeoning European battery manufacturing industry is forecast to be the world's fastest growing throughout the 2020s, with currently zero domestic supply of battery grade lithium products.

¹ See VUL ASX announcements 4/12/2019, 20/01/2020

Directors' Report

The **Vulcan Zero Carbon Lithium™ Project** is situated within one of the most well-studied and well-explored sedimentary graben basins in the world. This means that the lithium-rich brine in the field is very well understood, and large amounts of seismic and geochemical data are readily available, reducing the need for exploration time and spend. Drilling data and existing wells are also available and can be used to shortcut project development. Based on historical data, the Upper Rhine Valley brines have been shown to have grades in the same order of magnitude as typical South American salars, in the hundreds of ppm Li, but with the advantage of readily available heat and power. Commonly, grades are $>150\text{mg/l Li}$ in the Upper Rhine Valley at the depths targeted, with grades sometimes up to 210mg/l Li . The means that the Upper Rhine Valley brine field is one of the only geothermal brines in the world, the Salton Sea in California being the other main example, with both high flow rates and lithium grades within the brine reservoir. The Vulcan project represents a dominant license landholding within this brine field.

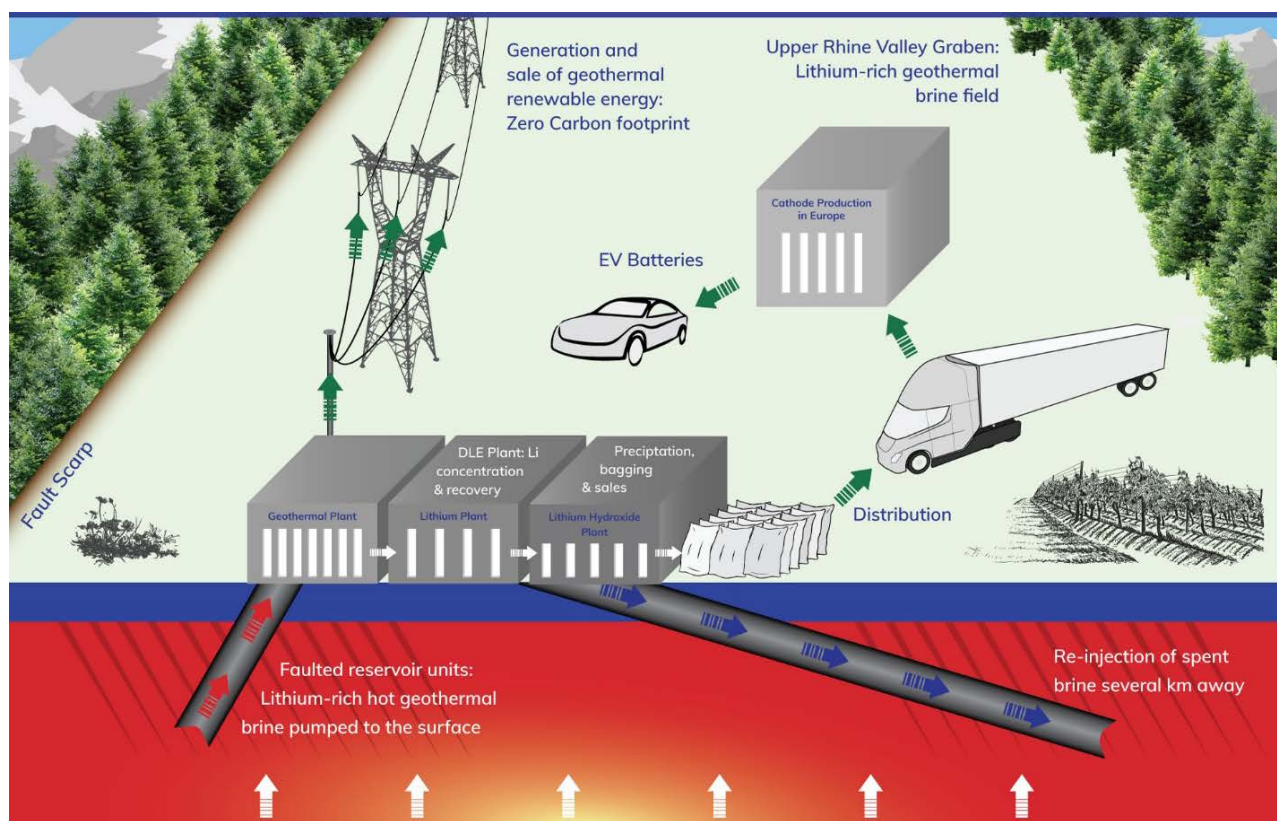


Figure 1: Schematic of the Zero Carbon Lithium project

Directors' Report

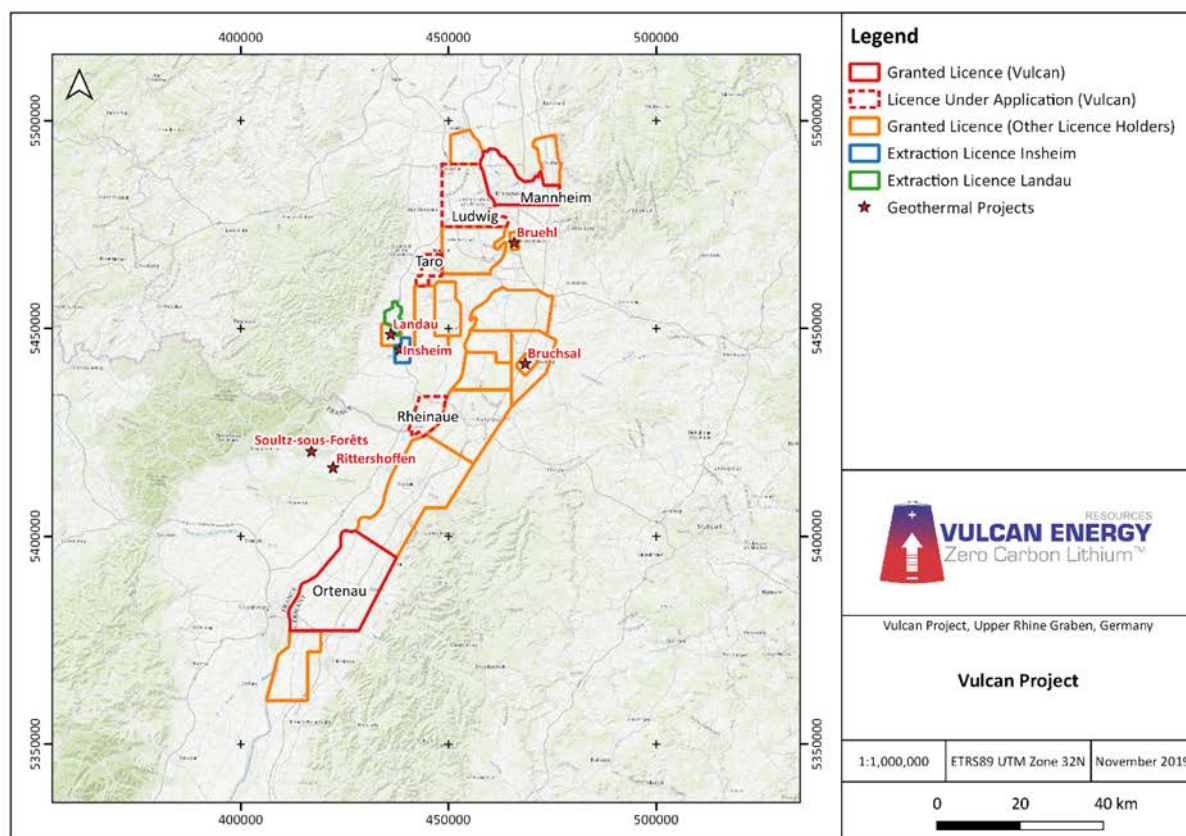
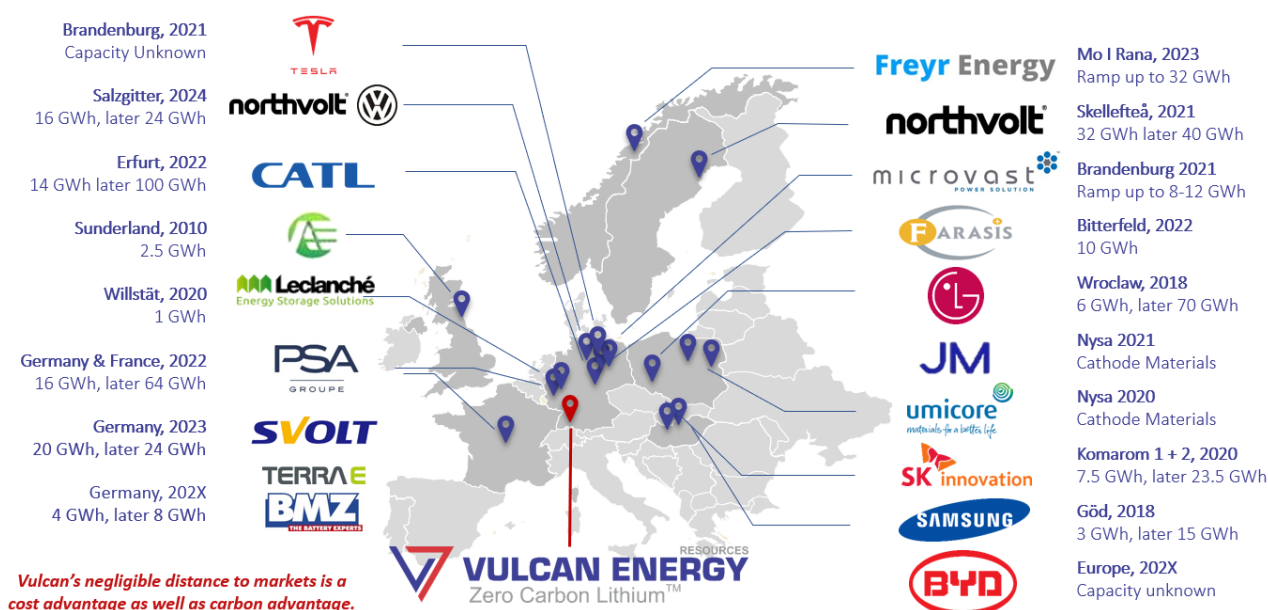


Figure 2: Vulcan Zero Carbon Lithium™ Project Location

Importantly, as well as being European, the project is just 60km away from Stuttgart, the home of the German auto-industry. It is perfectly placed to reduce the transport footprint of lithium chemicals down to almost negligible amounts, both from a carbon cost and direct financial cost perspective. In addition, existing and recently permitted geothermal operations within the area are testament to the social and environmental credentials of renewable energy within the region, in contrast with hard rock mining projects elsewhere in Europe. Indeed, one notable geothermal operation is surrounded by vineyards, showing the harmony of such operations with local communities.

Directors' Report

JORC Exploration Target

Following an initial geological study, the Company announced² a substantial JORC Exploration Target of 10.73 to 36.20 Mt of contained LCE (Lithium Carbonate Equivalent), making it potentially the largest lithium project in Europe, and globally significant. The Exploration Target's potential quantity and grade is conceptual in nature, there has been insufficient exploration to estimate a Mineral Resource, and it is uncertain if further exploration will result in the estimation of a Mineral Resource. The Company intends to convert some of this Exploration Target to a maiden mineral resource estimate as soon as possible, by generating new geochemical data and evaluation of existing seismic and well data and has commenced works to achieve this.

Scoping Study

During the period, the Company commenced a Scoping Study³ at the Vulcan Zero Carbon Lithium™ Project, assessing the co-production of renewable geothermal energy and battery quality lithium chemicals to produce the world's first lithium products with net zero carbon footprint.

Brine Sampling Programme

The Company conducted a confirmatory brine re-sampling programme⁴ from well-head sites within the brine field, with a view to modelling, estimating and establishing a maiden JORC resource at the Vulcan Lithium Project. This programme was successful in confirming the high lithium grades in noted in historical data in the Upper Rhine Valley region.



Figure 3: Confirmatory sampling of wells in Upper Rhine Valley by Vulcan team, and measurement of on-site brine parameters.

² See VUL ASX announcement 20/08/2019

³ See VUL ASX announcement 26/08/2019

⁴ See VUL ASX announcement 2/12/2019

Directors' Report

Maiden Inferred Resource

During the period, an Inferred resource estimation⁵ at the Ortenau Exploration Licence was presented in a Vulcan News Release dated December 4, 2019. The Ortenau License was assessed by APEX Geoscience Ltd. using the resource modelling and estimation processes outlined in the release. As outlined in Vulcan News Release dated December 4, 2019, the Inferred lithium-brine resource estimate at the Ortenau Licence was 2.48 million tonnes of elemental lithium, or 13.22 Mt of contained LCE. Europe's other JORC-compliant lithium resources in Europe include European Metals' Cinovec, at 7.17 Mt LCE, Rio Tinto's Jadar, at 6.24 Mt LCE, Infinity Lithium's San Jose at 1.68 Mt LCE and Savannah Resources' Barroso at 0.71 Mt LCE, all hard-rock projects, making Vulcan's the largest lithium project in Europe.

Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no guarantee that all or any part of the mineral resource will be converted into a mineral reserve. While it would be reasonable to expect that the majority of Inferred Mineral Resources would upgrade to Indicated Mineral Resources with continued exploration, due to the uncertainty of Inferred Mineral Resource it should not be assumed that such upgrading will always occur. There is no direct link from an Inferred Mineral Resource to any category of Ore Reserves.

Table 1: Inferred Vulcan Li-Brine Resource Estimate of lithium-bearing brine within the Buntsandstein Group aquifer domain at the Ortenau Licence (see Vulcan's December 4, 2019 News Release for more information).

Category	Aquifer Volume (km³)	Brine Volume (km³)	Average Lithium Concentration (mg/l Li)	Average Effective Porosity	Total Contained Elemental Li Resource Tonnes	Total Contained Lithium Carbonate Equivalent (LCE) Million Tonnes
<i>Inferred (Ortenau License)</i>	144.489	13.726	181	9.50	2,484,000	13.225

Note 1: Mineral resources are not mineral reserves and do not have demonstrated economic viability. Note 2: The weights are reported in metric tonnes (1,000 kg or 2,204.6 lbs). Numbers may not add up due to rounding of the resource values percentages (rounded to the nearest 1,000 unit). Note 3: The volume and weights are estimated at average porosities of 9.5% for the Ortenau Resource Note 4: The Vulcan Li-brine Project estimation was completed and reported using a lower cutoff of 100 mg/L Li. Note 5: In order to describe the resource in terms of industry standard, a conversion factor of 5.323 is used to convert elemental Li to Li₂CO₃, or Lithium Carbonate Equivalent (LCE).

⁵ See VUL ASX announcement 4/12/2019

Directors' Report

Norwegian Projects

During the period, the Company continued to explore its extensive copper-zinc mineral exploration portfolio located in the Trøndelag region of Norway. The Company received results⁶ from rockchip sampling across its Undal and Nyerbeget Projects carried out in October 2019.

At the Undal Project 3 mine dump samples returned an average of 1.1% Cu and 0.4% Zn, consistent with historical production grades of 1.15 % Cu & 1.86 % Zn from the Undal underground mine (Source: Norwegian Geological Survey (NGU) Database). The samples were massive sulphide (>80%), dominantly pyrite, similar to descriptions of the material mined at the project intermittently until 1971. Mineralisation at Undal is not outcropping which provides encouragement that historical exploration may not have been able to identify extensions to the previously mined mineralisation and that modern-day techniques could aid future exploration in the area.

At the Nyberget Project samples were taken from both the Nyberget mine site and workings in the surrounding area, as well as some regional samples. A sample from the Nyberget mine site returned 1.9% Cu + 2.7% Zn, again consistent with previous production and sampling documented by the NGU (refer ASX Announcement 11 June 2019). The mineralised sample was located in the hangingwall of a stratiform, pyrite-bearing sulphide horizon conformably emplaced between two greenstone units. Sampling of the Bergstjern III workings returned a result of 1.1% Pb + 0.3% Zn from a semi-massive sulphide lens within the chert sequence. The presence of these massive sulphide lenses provides encouragement for further such occurrences at the same stratigraphic horizon. The Company is in the process of assessing the exploration data and planning new activities for the next field season.

During the period, the Company also undertook a review of its licenses in Norway following initial field reconnaissance and fieldwork. This review resulted in the relinquishment of some non-core licenses, to enable the Company to better focus on more prospective areas.

Corporate

On 4 September 2019, the Company successfully completed its Acquisition of the Vulcan Lithium Project in the Upper Rhine Valley of Germany, on the terms set out in its Announcement dated 10 July 2019. On the same day, Dr Francis Wedin was appointed Managing Director and Mr Gavin Rezos was appointed Chairman. Ms Rebecca Morgan resigned from the Board.

On 5 August 2019, the Company cancelled the following performance rights previously issued to a Director, Rebecca Morgan.

- 400,000 Performance Rights Class A
- 400,000 Performance Rights Class B
- 500,000 Performance Rights Class C

The Performance Rights were cancelled in accordance with the terms of issue.

Directors' Report

On 5 August 2019, the Company issued 1,000,000 fully paid ordinary shares at an issue price of \$0.20 per share to a Consultant of the Company. The shares issued were in lieu of cash fees for services rendered.

On 19 November 2019, Mr William Oliver resigned as Non-Executive Director of the Company.

On 19 December 2019, Dr Horst Kreuter was appointed as an Executive Director of the Company. Dr Kreuter is a highly experienced businessman and engineering geologist, with an outstanding record of project development and consulting in the geothermal sector. Dr Kreuter is CEO of Geothermal Group Germany GmbH, Karlsruhe, a joint initiative for the world market of notable German companies active in the geothermal industry. He is also CEO of GeoThermal Engineering GmbH (GeoT), a consultancy who are involved in geothermal project development in Germany and worldwide. He is based in Karlsruhe, local to Vulcan's Zero Carbon Lithium™ project area in the Upper Rhine Valley, and has a broad political and corporate network in Germany.

On 31 December 2019, Mr Patrick Burke resigned as Non-Executive Director of the Company.

Acquisition of the Vulcan Lithium Project

On 4 September 2019, the Company successfully completed its Acquisition of the Vulcan Lithium Project and issued the following securities as part of the Acquisition:

- i. 6,666,667 fully paid ordinary shares in Vulcan Energy (Shares) issued to the Vendors of the Acquisition, Dr Wedin and Dr Horst Kreuter (Consideration Shares); and
- ii. 13,200,000 Performance Shares issued to the Vendors, which will each convert into a Share on a one for one basis on satisfaction the following milestones:
 - 4,400,000 Shares on the Company announcing a positive scoping study in relation to the Vulcan Lithium Project, confirming the Vulcan Lithium Project is commercially viable within 12 months of completion of the Acquisition (Milestone 1);
 - 4,400,000 Shares on the Company announcing a positive preliminary feasibility study in relation to the Vulcan Lithium Project, confirming the Vulcan Lithium Project is commercially viable within 24 months of completion of the Acquisition (Milestone 2); and
 - 4,400,000 Shares on the Company announcing that it has secured an off-take agreement representing a minimum of 30% of production volume over a three year term, or a downstream joint venture partner with a minimum \$10,000,000 investment in relation to the Vulcan Lithium Project within 36 months of completion of the Acquisition (Milestone 3).

As part of the Acquisition, the Company paid the following by way of an introduction and facilitation fees:

- (i) 1,000,000 Shares to be issued on completion of the Acquisition; and
- (ii) 1,980,000 Shares to be issued as follows:
 - (A) 660,000 Shares to be issued on satisfaction of Milestone 1;
 - (B) 660,000 Shares to be issued on satisfaction of Milestone 2; and
 - (C) 660,000 Shares to be issued on satisfaction of Milestone 3.

Directors' Report

The Company issued the following Shares and Performance Rights to Mr Rezos as an incentive in connection with his appointment as Chairman:

- (a) 750,000 Shares; and
- (b) a total of 3,750,000 Performance Rights to be issued to Mr Rezos (or his nominee), which will each convert into a Share on a one for one basis on satisfaction the following milestones:
 - (i) 1,250,000 Shares on satisfaction of Milestone 1;
 - (ii) 1,250,000 Shares on satisfaction of Milestone 2; and
 - (iii) 1,250,000 Shares on satisfaction of Milestone 3.

In addition, the Company agreed to appoint Viaticus Capital Pty Ltd, a related body corporate of Mr Rezos, to provide investor relations advice in Europe and the US on the following terms:

Commencement Date	Completion of the Acquisition
Term	12 months from the Commencement Date, unless extended by agreement and subject to termination by either party (see termination and notice below)
Retainer	\$5,000 per month
Fees on Capital Raisings	A 6% fee on any amount invested by an investor introduced by Viaticus and based outside Australia into any Vulcan capital raising and a 1% fee on any amount raised for Vulcan by any licensed broker or fund investor introduced by Viaticus.

Capital Raising

In parallel with the Acquisition, the Company raised A\$1.1 million at \$0.15 per share ("Placement"). The proceeds of the Placement will be used to fund due diligence and initial work at the Vulcan Lithium Project. The Company issued 2,820,000 fully paid ordinary shares on 10 July 2019, 3,513,334 on 19 July 2019 and 1,000,000 shares on 4 September 2019 as part of the Placement.

Frankfurt Listing

On 4 December 2019 the Company announced the dual listing of the Company's shares on the Frankfurt Stock Exchange. The Company's shares will trade under the code "6KO". The Frankfurt listing widens Vulcan's investor reach and increases the Company's exposure to German and European markets, where the Vulcan Zero Carbon Lithium Project is located.

Insheim MoU

On 26 November 2019, the Company entered into an MoU with the subsidiary of German utility Pfalzwerke Group – Pfalzwerke geofuture.

Pfalzwerke geofuture GmbH is the owner-operator of the Insheim geothermal plant, which has been operating successfully for seven years. Pfalzwerke geofuture is 100%-owned by Pfalzwerke Gruppe. Founded in 1912, Pfalzwerke Gruppe is a German and international energy provider with annual revenue in excess of €1.5 billion. Pfalzwerke Gruppe and its subsidiaries and partners offer solutions for all aspects of electricity and heating. The company is increasing its share of renewable energy sources such as photovoltaic, biomass, geothermal and wind power. With approximately 430,000 private and 20,000 business customers, as well as power supplies to 60 municipalities, Pfalzwerke Gruppe is one of the most important energy supply companies in Germany.

Directors' Report

The Insheim plant operates with a thermal water temperature of 165°C, producing a maximum of 4.8 MW_{el} power and 10 MW thermal energy. The plant receives a feed-in-tariff of €0.25/kWh under the EEG (German Renewable Energy Act). The plant can supply around 8,000 households with electricity and 600-800 households with heat.

Currently, brine is pumped up, energy produced and the brine re-injected with no extraction of lithium from the lithium-rich fluids. The agreement with Vulcan allows both parties to potentially extract value from the lithium contained within the brine. The plant has a very small footprint and operates in harmony with its local surroundings. This is a testament to the potential of geothermal wells to service Europe's battery-quality lithium needs, with zero carbon footprint, without the requirement for environmentally and socially undesirable hard-rock mining.

The structure of the agreement is as follows:

Initial Collaboration Period

- Vulcan to conduct a Pre-Feasibility Study (PFS) involving pilot testwork of the lithium extraction at the Insheim plant, as well as engineering, geological and financial studies.
- Pfalzerke geofuture to provide geothermal plant data and brine prior to re-injection, necessary for processing testwork.

Joint Venture Period

- Legal JV to be established for the lithium production project at the Insheim plant. Vulcan to have initial 0% JV interest, full expenditure responsibility and management control of the lithium project.
- Vulcan to build and implement a demonstration plant to test enrichment on site under the conditions of the operating geothermal plant. Vulcan to conduct a DFS for lithium production at the plant.
- On successful completion of the DFS, Vulcan will be deemed to have earned up to 80% JV interest in the lithium rights at Insheim.
- On successful completion of the DFS, a commercial extraction plant may be built on site to start the production of lithium from the enriched brine. The plant can be financed by both parties on a pro rata basis, otherwise Pfalzerke geofuture can elect to be diluted using an industry standard formula, to a non-dilutionary 2.5% net profits royalty on lithium production.

All terms of the agreement are binding on the legal JV being established.

EVENTS OCCURRING AFTER REPORTING DATE

On 20 January 2020, Vulcan announced a maiden Indicated JORC Resource at the Insheim license of 722,000t contained LCE, at a grade of 181mg/l Li.

On 17 February 2020, Vulcan requested a voluntary suspension of all the quoted securities of the Company pending an announcement regarding the results of the scoping study at Vulcan's Zero Carbon Lithium™ Project.

On 21 February 2020, the Company was reinstated to the Official Quotation.

Directors' Report

EVENTS OCCURRING AFTER REPORTING DATE (CONTINUED)

On 21 February, Vulcan announced a positive Scoping Study conducted at the Vulcan Zero Carbon Lithium Project. The Study contemplates initial lithium production from a single production well at an operational geothermal plant (Stage 1, Insheim License), ramping up to ten production wells, new geothermal plants and a lithium plant at the Company's 100% -owned Ortenau License (Stage 2).

On 28 February 2020, the Company issued 5,650,000 fully paid ordinary shares upon the conversion of Class A Performance Shares and Class D Performance Rights as the Company announced a positive scoping study in relation to the Vulcan Lithium Project, confirming the Vulcan Lithium Project is commercially viable within 12 months of completion of the Vulcan acquisition (Milestone 1). The conversion of 480,000 of the Class A Performance Shares, and the corresponding issue of 480,000 ordinary shares, was invalid under the terms of the Performance Shares as it resulted in Dr Francis Wedin increasing his voting power in the Company to more than 20%. This occurred due to an administrative error and, once this came to the Company's attention, the invalid conversion and issue were voided. Accordingly, on 10 March 2020, the Company released an amended Appendix 2A to correct the number of ordinary shares issued upon the conversion of Performance Shares and Performance Rights to 5,170,000 fully paid ordinary shares, and to reinstate 480,000 Class A Performance Shares which will convert in due course once they can be validly converted in accordance with their terms.

On 11 March 2020, the Company requested a trading halt pending releasing an announcement regarding the clarification of the Company's capital structure. On 13 March 2020, the Company requested a voluntary suspension pending an announcement regarding the clarification of the Company's capital structure which has now been released on the same day.

Other than the above, there has been no other matters or circumstances which has arisen since the end of the half-year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial periods.

Competent Person Statement

The information in this News Release that relates to Mineral Resources is extracted from the ASX announcements made by Vulcan on 4 December 2019, and 20 January 2020, which are available on www.v-er.com. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and that all material assumptions and technical parameters undermining the estimates in the relevant market announcements continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

Directors' Report

FINANCIAL RESULTS

The financial results of the Group for the half-year ended 31 December 2019 are:

	31-Dec-19	30-Jun-19
Cash and cash equivalents (\$)	3,153,882	3,348,996
Net assets (\$)	5,057,956	3,793,116

	31-Dec-19	31-Dec-18
Revenue (\$)	28,919	19,027
Net loss after tax (\$)	(1,775,446)	(295,013)
Loss per share (cents)	(3.99)	(0.93)

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration under section 307C of the Corporations Act 2001 is included within this financial report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Gavin Rezos

Non-Executive Chairman

Perth, Western Australia

Dated 13 March 2020

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Vulcan Energy Resources Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.



RSM AUSTRALIA PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 13 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2019

	Note	31-Dec-19 \$	31-Dec-18 \$
Revenue from continuing operations			
Other income		28,919	19,027
Administrative expenses	3	(177,067)	(85,626)
Compliance and regulatory expenses		(39,375)	(55,718)
Consulting and legal fees	3	(195,609)	(57,142)
Employee benefit expenses		(108,597)	(78,165)
Investor relations expenses		(266,817)	-
Introducer fee in relation to the Vulcan Lithium Project Acquisition		(150,000)	-
Impairment of exploration assets		(178,518)	-
Occupancy costs		(9,488)	(5,000)
Share-based payments expense	7	(648,711)	(12,428)
Other expenses		(27,583)	(16,900)
Foreign currency loss		(2,600)	(3,061)
Loss before income tax expense		(1,775,446)	(295,013)
Income tax expense		-	-
Loss after income tax for the period		(1,775,446)	(295,013)
Other comprehensive income		-	-
Total comprehensive loss for the period attributable to members of Vulcan Energy Resources Limited		(1,775,446)	(295,013)
Loss per share for the period attributable to the members of Vulcan Energy Resources Limited			
Basic and diluted loss per share (cents)		(3.99)	(0.93)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Financial Position

As at 31 December 2019

	Note	31-Dec-19 \$	30-June-19 \$
ASSETS			
Current Assets			
Cash and cash equivalents		3,153,882	3,348,996
Trade and other receivables		46,298	35,063
Total Current Assets		3,200,180	3,384,059
Non-current Assets			
Exploration and evaluation expenditure	4	1,966,500	526,001
Total Non-Current Assets		1,966,500	526,001
TOTAL ASSETS		5,166,680	3,910,060
LIABILITIES			
Current Liabilities			
Trade and other payables		108,724	116,944
Total Current Liabilities		108,724	116,944
TOTAL LIABILITIES		108,724	116,944
NET ASSETS		5,057,956	3,793,116
EQUITY			
Contributed equity	5	7,250,491	4,746,416
Reserves	6	700,224	164,013
Accumulated losses		(2,892,759)	(1,117,313)
TOTAL EQUITY		5,057,956	3,793,116

The Consolidated Statement of Financial Position should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2019

Consolidated	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total \$
At 1 July 2019	4,746,416	164,013	(1,117,313)	3,793,116
Loss for the period	-	-	(1,775,446)	(1,775,446)
Total comprehensive loss for the period after tax	-	-	(1,775,446)	(1,775,446)
Transactions with owners in their capacity as owners:				
Issue of share capital	2,562,500	-	-	2,562,500
Share issue costs	(58,425)	-	-	(58,425)
Share-based payments	-	536,211	-	536,211
Balance at 31 December 2019	7,250,491	700,224	(2,892,759)	5,057,956

Consolidated	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total \$
At 1 July 2018	4,746,416	-	(280,649)	4,465,767
Loss for the period	-	-	(295,013)	(295,013)
Total comprehensive loss for the period after tax	-	-	(295,013)	(295,013)
Transactions with owners in their capacity as owners:				
Issue of listed options	-	126,875	-	126,875
Listed option issue costs	-	(25,000)	-	(25,000)
Share-based payments	-	12,428	-	12,428
Balance at 31 December 2018	4,746,416	114,303	(575,662)	4,285,057

The Consolidated Statement of Changes in Equity should be read
in conjunction with the notes to the financial statements.

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2019

	Note	31-Dec-19 \$	31-Dec-18 \$
Cash flows from operating activities			
Payments to suppliers and employees		(768,120)	(255,798)
Interest received		28,919	19,027
Net cash used in operating activities		(739,201)	(236,771)
Cash flows from investing activities			
Payments for exploration and evaluation costs		(497,892)	(386,970)
Cash acquired upon acquisition of subsidiary	8	404	-
Net cash outflow from investing activities		(497,488)	(386,970)
Cash flows from financing activities			
Proceeds from issue of shares		1,100,000	-
Share issue costs		(58,425)	-
Proceeds from issue of listed options		-	126,875
Listed options issue costs		-	(25,000)
Net cash provided by financing activities		1,041,575	101,875
Net (decrease) in cash and cash equivalents		(195,114)	(521,866)
Cash and cash equivalents at beginning of the period		3,348,996	4,047,909
Cash and cash equivalents at end of the period		3,153,882	3,526,043

The Consolidated Statement of Cash Flows should be read in conjunction with the notes to the financial statements.

Notes to the Consolidated Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These general purpose interim financial statements for half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general-purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The financial statements are presented in Australian dollars, which is Vulcan Energy Resources Limited's functional and presentation currency.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

(b) Significant accounting judgements and key estimates

The preparation of the interim financial report requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim financial report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2019.

Notes to the Consolidated Financial Statements

(c) New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

AASB 16 Leases

The Group has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption

The Group has adopted AASB 16 from 1 July 2019 using the retrospective modified approach and as such the comparatives have not been restated. There was no impact of adoption on opening accumulated losses as at 1 July 2019.

Notes to the Consolidated Financial Statements

NOTE 2 SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the Board of Directors.

Following the acquisition of a 100% interest in the Vulcan Lithium Project in the Upper Rhine Valley of Germany on 4 September 2019, it was determined that the Group operates in three operating segments being, energy metals exploration in Germany, copper and zinc mineral exploration in Norway and resources allocated to administration. This is the basis in which internal reports are provided to the Directors for assessing performance and determining the allocation of resources within the Group.

(i) Segment performance	Exploration	Exploration	Administration	Total
	Germany	Norway		
31-Dec-19	\$	\$	\$	\$
Revenue				
Interest income	-	-	28,919	28,919
Total segment revenue	-	-	28,919	28,919

Reconciliation of segment results to net loss before tax

Amounts not included in segment results but reviewed by the Board

- Administration, consulting and other expenses	(1,804,365)
Net loss before tax from continuing operations	(1,775,446)

(ii) Segment assets	Exploration	Exploration	Administration	Total
	Germany	Norway		
31-Dec-19	\$	\$	\$	\$
Total segment asset	1,588,180	394,476	3,184,024	5,166,680

(ii) Segment liabilities	Exploration	Exploration	Administration	Total
	Germany	Norway		
31-Dec-19	\$	\$	\$	\$
Total segment liabilities	(37,490)	272	(71,506)	(108,724)

Notes to the Consolidated Financial Statements

NOTE 3 EXPENSES

	31-Dec-19 \$	31-Dec-18 \$
(a) Administrative expenses		
Accounting, audit and company secretarial fees	80,058	72,225
Travel expenses	62,897	10,912
General and administration expenses	34,112	2,489
	177,067	85,626
(b) Consultancy and legal expenses		
Corporate advisory fees ⁽ⁱ⁾	88,548	52,500
Exploration consulting fees	18,942	-
Legal fees	88,119	4,642
	195,609	57,142

- (i) Corporate advisory fees: Following a review by the Board, corporate advisory services have been reduced in the first quarter of 2020, and the Board expects corporate advisory fees to reduce going forward as a result.

NOTE 4 EXPLORATION AND EVALUATION EXPENDITURE

	31-Dec-19 \$	30-Jun-19 \$
Carrying amount of exploration and evaluation expenditure	1,966,500	526,001
At the beginning of the period	526,001	375,541
Exploration expenditure incurred	497,892	438,127
Vulcan Lithium Project acquisition	8 1,121,125	-
Impairment expense	(178,518)	(287,667)
At the end of the period	1,966,500	526,001

Notes to the Consolidated Financial Statements

NOTE 5 CONTRIBUTED EQUITY

	31-Dec-19		30-Jun-19	
	No.	\$	No.	\$
Fully paid ordinary shares	48,500,002	7,250,491	31,750,001	4,746,416

Ordinary shares entitle the holder to participate in dividends and the proposed winding up of the Company in proportion to the number and amount paid on the share hold.

(a) Movement reconciliation	Date	Number	Issue Price	\$
At 1 July 2019		31,750,001		4,746,416
Placement to sophisticated and professional investors	10/07/2019	2,820,000	\$0.15	423,000
Placement to sophisticated and professional investors	19/07/2019	3,513,334	\$0.15	527,000
Shares issued in lieu of cash fees for services rendered	5/08/2019	1,000,000	\$0.20	200,000
Shares issued to Vendors and Introducers as part of consideration for the Acquisition	4/09/2019	7,666,667	\$0.15	1,150,000
Shares issued to Director (Note 7)	4/09/2019	750,000	\$0.15	112,500
Issue of shares to Director for participation in the Placement	4/09/2019	1,000,000	\$0.15	150,000
Less capital raising costs		-	-	(58,425)
At 31 December 2019		48,500,002	-	7,250,491
At 1 July 2018		31,750,001		4,746,416
At 30 June 2019		31,750,001		4,746,416

NOTE 6 RESERVES

	31-Dec-19	30-Jun-19
	\$	\$
Share-based payment reserve	700,224	164,013

Movement reconciliation

Issued options reserve

Balance at the beginning of the year	164,013	-
Equity settled share-based payment transactions (Note 7)	536,211	62,138
Issue of listed options	-	126,875
Option issue costs	-	(25,000)
Balance at the end of the year	700,224	164,013

Share-based payment reserve

The option reserve is used to record the value of share-based payments provided to outside parties, and share-based remuneration provided to employees and directors.

Notes to the Consolidated Financial Statements

NOTE 7 SHARE-BASED PAYMENTS

	31-Dec-19	31-Dec-18
	\$	\$
Recognised share-based payment transactions		
Performance rights issued to Directors ⁽ⁱ⁾	237,493	12,428
Performance shares issued to Vendors of Acquisition ⁽ⁱⁱ⁾	298,718	-
Shares issued for consideration of services ⁽ⁱⁱⁱ⁾	112,500	-
	648,711	12,428

- (i) In the prior year, 3,900,000 performance rights were granted and issued to directors. The value of each rights as set out below in the summary of performance rights granted. These were issued on 20 December 2018. During the period, 1,300,000 performance rights were cancelled. Under AASB 2 *Share-based payments*, the Company is required to recognise the full share-based payments expense in the current period.

On 4 September 2019, the Company issued 3,750,000 performance rights to Mr Gavin Rezos as an incentive in connection with his appointment as Chairman. A share-based payment expense has been recognised in the Statement of Profit or Loss and Other Comprehensive Income.

	Class A	Class B	Class C	Class D	Class E	Class F
Fair value of each right	\$0.1463	\$0.1124	\$0.0906	\$0.1500	\$0.1500	\$0.1500
Expected volatility	90%	90%	90%	N/A	N/A	N/A
Grant date	30/11/2018	30/11/2018	30/11/2018	4/09/2019	4/09/2019	4/09/2019
Price at grant date	\$0.18	\$0.18	\$0.18	\$0.15	\$0.15	\$0.15
Expiry date	30/11/2021	30/11/2021	30/11/2021	4/09/2020	4/09/2021	4/09/2022
Vesting hurdle (5-day VWAP)	\$0.40	\$0.75	\$1.10	N/A	N/A	N/A
Interest rate	2.06%	2.06%	2.06%	N/A	N/A	N/A
Number of Rights	1,200,00	1,200,000	1,500,000	1,250,000	1,250,000	1,250,000
Total value of rights	\$175,560	\$134,880	\$135,900	\$187,500	\$187,500	\$187,500

- (ii) On 4 September 2019, the Company issued 13,200,000 Performance Shares (PS) issued to Vendors of the Vulcan Lithium Project Acquisition which will each convert into a Share on a one for one basis on the satisfaction of milestones. Based on management assessment, percentage of a share-based payment expense has been recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Notes to the Consolidated Financial Statements

NOTE 7 SHARE-BASED PAYMENTS (CONTINUED)

	Class D	Class E	Class F
Fair value of each PS	\$0.15	\$0.15	\$0.15
Expected volatility	N/A	N/A	N/A
Grant date	4/09/2019	4/09/2019	4/09/2019
Price at grant date	\$0.15	\$0.15	\$0.15
Expiry date	4/09/2020	4/09/2021	4/09/2022
Vesting hurdle (5-day VWAP)	N/A	N/A	N/A
Interest rate	N/A	N/A	N/A
Number of PS	4,400,000	4,400,000	4,400,000
Total value of PS	\$660,000	\$660,000	\$660,000

- (iii) 750,000 ordinary shares issued to Gavin Rezos to incentivise the continued performance and to assist the Company in retaining his services and expertise. A share-based payment expense has been recognised in the Statement of Profit or Loss and Other Comprehensive Income.

NOTE 8 ACQUISITION OF SUBSIDIARY

On 4 September 2019, the Company successfully completed its acquisition of 100% of the issued capital of Vulcan Energy Resources Europe Pty Ltd ("the Vulcan Lithium Project"). The acquisition was assessed as an asset acquisition rather than a business combination. The Company issued 6,666,667 fully paid ordinary shares in the Company to the Vendors, Dr Wedin and Dr Horst Kreuter to acquire the asset.

	31-Dec-19 \$
Purchase consideration	
Fair value of shares issued	1,000,000
	<u>1,000,000</u>
Net assets acquired are as follows:	
Cash and cash equivalents	404
Exploration and evaluation expenditure	1,121,125
Trade and other payables	(121,529)
	<u>1,000,000</u>

Notes to the Consolidated Financial Statements

NOTE 8 ACQUISITION OF SUBSIDIARY (CONTINUED)

In addition to the shares issued to acquire the asset as disclosed above, 13,200,000 Performance Shares were also issued to the Vendors, which will each convert into an ordinary share on a one for one basis on satisfaction the following milestones:

- 4,400,000 ordinary shares on the Company announcing a positive scoping study in relation to the Vulcan Lithium Project, confirming the Vulcan Lithium Project is commercially viable within 12 months of completion of the Acquisition (Milestone 1);
- 4,400,000 ordinary shares on the Company announcing a positive preliminary feasibility study in relation to the Vulcan Lithium Project, confirming the Vulcan Lithium Project is commercially viable within 24 months of completion of the Acquisition (Milestone 2); and
- 4,400,000 ordinary shares on the Company announcing that it has secured an off-take agreement representing a minimum of 30% of production volume over a three year term, or a downstream joint venture partner with a minimum \$10,000,000 investment in relation to the Vulcan Lithium Project within 36 months of completion of the Acquisition (Milestone 3).

These Performance Shares have been expensed to profit and loss as disclosed in Note 7(ii).

NOTE 9 DIVIDENDS

No dividend has been declared or paid during the half-year ended 31 December 2019 (30 June 2019: Nil), and the Directors do not recommend the payment of a dividend in respect of the half-year ended 31 December 2019.

NOTE 10 CONTINGENCIES

As part of the acquisition of Vulcan Lithium Project, the Company agrees to pay the following by way of an introduction and facilitation fees:

- (ii) 1,980,000 ordinary shares to be issued as follows:
- (A) 660,000 ordinary shares to be issued on satisfaction of Milestone 1;
 - (B) 660,000 ordinary shares to be issued on satisfaction of Milestone 2; and
 - (C) 660,000 ordinary shares to be issued on satisfaction of Milestone 3.

Other than the above, there have been no other changes to contingent liabilities or assets since 30 June 2019.

NOTE 11 COMMITMENTS

There have been no changes to commitments since 30 June 2019.

Notes to the Consolidated Financial Statements

NOTE 12 EVENTS SUBSEQUENT TO THE REPORTING PERIOD

On 20 January 2020, Vulcan announced a maiden Indicated JORC Resource at the Insheim license of 722,000t contained LCE, at a grade of 181mg/l Li.

On 17 February 2020, Vulcan Energy requested a voluntary suspension of all the quoted securities of the Company pending an announcement regarding the results of the scoping study at Vulcan's Zero Carbon Lithium™ Project. On 21 February 2020, the Company was reinstated to the Official Quotation.

On 21 February 2020, Vulcan announced a positive Scoping Study conducted at the Vulcan Zero Carbon Lithium Project. The Study contemplates initial lithium production from a single production well at an operational geothermal plant (Stage 1, Insheim License), ramping up to ten production wells, new geothermal plants and a lithium plant at the Company's 100% -owned Ortenau License (Stage 2).

On 28 February 2020, the Company issued 5,650,000 fully paid ordinary shares upon the conversion of Class A Performance Shares and Class D Performance Rights as the Company announced a positive scoping study in relation to the Vulcan Lithium Project, confirming the Vulcan Lithium Project is commercially viable within 12 months of completion of the Vulcan acquisition (Milestone 1). The conversion of 480,000 of the Class A Performance Shares, and the corresponding issue of 480,000 ordinary shares, was invalid under the terms of the Performance Shares as it resulted in Dr Francis Wedin increasing his voting power in the Company to more than 20%. This occurred due to an administrative error and, once this came to the Company's attention, the invalid conversion and issue were voided. Accordingly, on 10 March 2020, the Company released an amended Appendix 2A to correct the number of ordinary shares issued upon the conversion of Performance Shares and Performance Rights to 5,170,000 fully paid ordinary shares, and to reinstate 480,000 Class A Performance Shares which will convert in due course once they can be validly converted in accordance with their terms.

On 11 March 2020, the Company requested a trading halt pending releasing an announcement regarding the clarification of the Company's capital structure. On 13 March 2020, the Company requested a voluntary suspension pending an announcement regarding the clarification of the Company's capital structure which has now been released on the same day.

Other than the above, there has been no other matters or circumstances which has arisen since the end of the half-year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial periods.

NOTE 13 INVESTMENT IN CONTROLLED ENTITIES

	Principal Activities	Country of Incorporation	Ownership Interest December 2019 %	Ownership Interest June 2019 %
Koppar Resources Europe Pty Ltd	Exploration	Australia	100	100
Vulcan Energy Resources Europe Pty Ltd	Exploration	Australia	100	-

Directors' Declaration

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Gavin Rezos
Non-Executive Chairman
13 March 2020



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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF VULCAN ENERGY RESOURCES LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Vulcan Energy Resources Limited which comprises the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Vulcan Energy Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Vulcan Energy Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

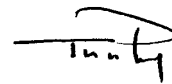
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Vulcan Energy Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



RSM AUSTRALIA PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 13 March 2020