

INITIATION OF COVERAGE | PUBLISHED ON 17 MAY 2023

DVP: Bill'd it. They'll come.

DVP.ASX | DEVELOP GLOBAL LIMITED | MATERIALS | METALS & MINING
PRICE
3.41/sh
TARGET PRICE
3.90/sh
 (FROM -/sh)

RECOMMENDATION
BUY
 (FROM -)

ANALYST
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Initiation of coverage

Run by industry titan Bill Beament, DVP has a two-pronged strategy to mine its own resources and help others mine theirs.

The Company has two projects, a 20% stake in another and one mining contract;

- Woodlawn: Zn-Cu mine in NSW with all infrastructure in place and underground development in preparation for mining underway.

- Sulphur Springs: Zn-Cu mine in WA, 140km South of Port Hedland.

- Whim Creek: ANX 80%, DVP 20%. Zn-Cu project 25km away from Sulphur Springs. DVP free carried. Opportunity for DVP to mine underground components. DFS completed April 2023.

- Bellevue Gold: \$400m contract over four (4) years to undertake development and production activities at the Bellevue underground gold mine.

The Company is creating a bottom-up culture that sees the workforce incentivised and empowered to drive productivity at operations. You could call this a people business with mining operations. A unique model inspired by Western Mining Corporation in the 1990s. We have seen this same approach at site visits to all the assets and previously experienced it within the unique Northern Star DNA.

A brand new fleet and an unique approach to asset management (no rebuilds, selling old and buying new models) will see long-term maintenance costs-reduce, financial benefits of new equipment claimed (depreciation), a happier workforce (using mostly near new equipment) and the resale value of plant maintained (shortage of equipment globally).

The 'secret sauce' for this specialist underground miner is the capability and capacity of the mining team to keep development ahead of production. In this way, Mr Beament has made it clear what his focus is; and it is in the name, DEVELOP.

Action

We initiate on DEVELOP backing management track record of success and a belief in the model that sees optionality in all scenarios. We also like that, Mr Beament has skin in the game with 30% fully diluted. Commodity price risk is countered by long-term mining contracts. Staff are incentivised by safety and production (the better both look, the more they get paid - piecemeal) and new equipment, which sees efficiencies and improvements in technology injected throughout the business. The Company owns future-facing commodities and is positioning itself for not just commodity price rises but a future workforce (the Thunberg generation) that is making holistic employer decisions. All mines and contracts are in Tier 1 jurisdictions in Australia.

We initiate with a BUY recommendation with a Valuation of \$3.57/sh and a Price Target of \$3.90/sh on a 50/50 split of PNAV @ Spot and PNAV Using EH Deck prices.

Catalysts

Woodlawn Resources and Reserve (and subsequent restart)

Additional contract awards

Commodity price

MARKET STATISTICS		
Share Price	3.41	A\$/sh
Price Target	3.90	A\$/sh
Valuation	3.57	A\$/sh
Issued Capital		
Fully Paid Ord	178.0	m
Options (var. prices)	35.4	m
Total Dil. FPOrd	214.2	m
Market Capitalisation (dil)	\$730	m
Enterprise Value	\$704	m
Cash and Bullion	\$27	m
Debt	\$-	m

DIRECTORS		
B. Beament		MD
S. In't Veld		NED
J. McGee		NED

SHAREHOLDERS		
Bill Beament (Full Dil.)		30%
Min Res		15%

Performance



Source: Euroz Hartleys

Executive Summary

Figure 1: DVP valuation

ASSET VALUATION		
	A\$m	A\$/sh
(+) Sulphur Springs	52	\$ 0.31
(+) Woodlawn	472	\$ 2.81
(+) ANX Share	52	\$ 0.31
(+) Mining Services	101	\$ 0.60
(-) Tax	(119)	-\$ 0.71
(-) Corporate	(3)	-\$ 0.02
(+/-) Hedging	50	\$ 0.30
(+) Exploration	20	\$ 0.12
(+) Cash & Investments	28	\$ 0.17
(-) Debt	-	\$ -
Valuation using EH Deck	\$ 652.53	\$ 3.89
Valuation at Spot Prices	\$ 723.95	\$ 4.31

Source: Euroz Hartleys

Figure 2: DVP price History

Our Market Sensitivity
Valuation - \$3.60/sh
Price Target - \$4.10/sh
Bull Scenario \$5.18/sh
Copper rises to US\$5/lb. Company wins a 5 year, \$500m contract.
Base Scenario - \$3.60/sh
Company restarts Woodlawn and Sulphur Springs, maintains one operating contract (Belleveue).
Bear Scenario - \$2.60/sh
Copper and Zinc prices fall to US\$2.50/lb and US\$1/lb. Sector derates on uncertainty and market outlook.

Source: ASX

Valuation and Price Target

We consider a risked DCF valuation for the mining side of the business (Woodlawn and Sulphur Springs) and an EBITDA multiple for the valuation of the mining services business.

Our assumptions are based on the following;

Woodlawn (Val \$2.81/sh)

Assumptions based on last published DFS and inflated them to match industry standards.

Mining cost - EH \$90/t v \$68/t in 2016 DFS

Processing cost - EH \$50/t v \$21/t in 2015 DFS

Sustaining Capex inc. exploration - \$12m per annum

Growth capex inc. exploration - \$10m per annum

Sulphur Springs (Val \$0.31/sh)

Our assumptions consider the information in all studies (2012, 2015, 2017 and 2018), with particular attention to the PFS of 2012, which did not consider any open pit or transitional mining and goes straight underground. This was particularly useful in our assumptions for grades.

Average width: 10m (2022 resource 2-20m thick).

Mining cost - EH \$70/t v \$41/t in 2018 DFS

Processing cost - EH \$60/t v \$32/t in 2015 DFS

Sustaining Capex inc. exploration - \$12m per annum

Growth capex inc. exploration - \$10m per annum

Anax Resources - Whim Creek (20% DVP Val \$0.31/sh)

We consider a DCF on the 20% stake in ANX. We do not optimise mill feed in our model for ore-sorting and consider a scenario where this is not use (whereas the DFS considers ore-sorting and thus a higher grade through the mill). We also only consider the open-pit mining scenario. We model the same mining costs as the DFS.

Average width: Variable. Open pit transitioning to underground.

Mining cost - Open Pit \$43.7/t and underground \$156/t

Processing cost - \$38.7/t

Sustaining Capex/Deferred Capital inc. exploration - \$3m per annum

Growth capex inc. exploration - \$5m per annum

Mining Services (Val \$0.60/sh)

Revenue: \$100m-\$125m in FY25 (assuming no additional mining contracts)

EBITA Margin: Target 20-25%

EBIT Margin: 10-15%

EV: EBITDA Multiple: 5x (A premium considering the management team and opportunity for growth)

Woodlawn

The Woodlawn project was acquired by DVP on the 20th of May 2022 through a DOCA process from Heron Resources.

Woodlawn is located 64km from Canberra Airport, 211km from Port Kembla and 6km from a rail line at Veolia's Crisp Creek intermodal. A heavy haulage road (rated to 25/26m B-Double) standards is located just 350m north of the plant site. The road links all major regional centres, including Sydney, Canberra, Wollongong and Goulburn.

The asset has a chequered history, with many of these risks contractual (issues between owner and contractor) rather than the asset itself.

Geology

Woodlawn was discovered in the 1960s through geochemical sampling programs and follow-up drilling. Open pit mining commenced in 1978 through to 1988, with ~8Mt of high-grade ore extracted. Mining transitioned underground from 1988 through 1998, with another 5.5Mt of ore mined. TriAusMin acquired the mineral rights to the Project in 1999 and commenced with the retreatment of tailings development studies and exploration. The Kate Lens was discovered in 2013.

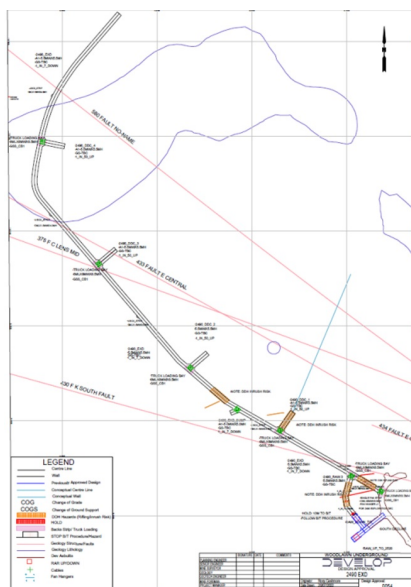
Woodlawn is a high-grade, volcanogenic massive-sulphide (VMS) deposit hosted within late Silurian (~423Ma) felsic volcanic and volcanoclastic rocks of the Woodlawn Volcanics. The deposit is located on the eastern limb of a syncline (fold) of the Lachlan Fold Belt and contains two distinct ore types:

- Polymetallic ore: Layered pyrite (iron), sphalerite (Zinc), galena (lead) and chalcopyrite (copper), which is typically fine-grained and massive in parts;
- Copper ore: Massive and stringer chalcopyrite (copper) and pyrite (iron), occurring as largely massive-type VMS mineralisation.

Over 12 mineralised lenses have been identified (A-L) with numerous sub-lens. The deposit remains open at depth, and multiple priority down-hole EM targets remain to be tested (providing exploration upside).

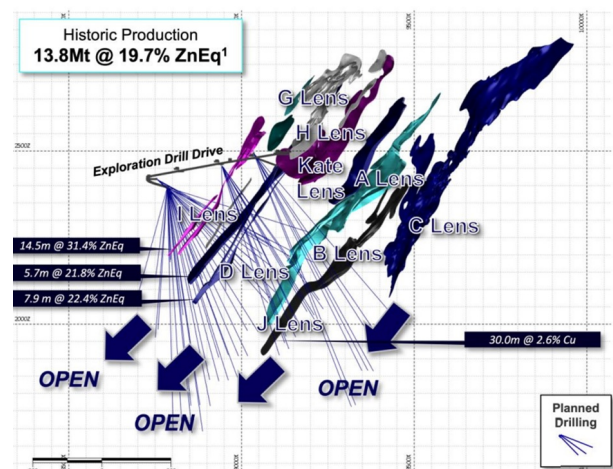
The Company has planned to complete the exploration drive by the end of CY22, with a diamond drill program to commence shortly after with a 32,000m program to be completed in the first six months of CY23.

Figure 3: Woodlawn Exploration drive design



Source: Develop Strategy Day, the 6th of September 2022.

Figure 4:



Source: Develop Strategy Day, the 6th of September 2022.

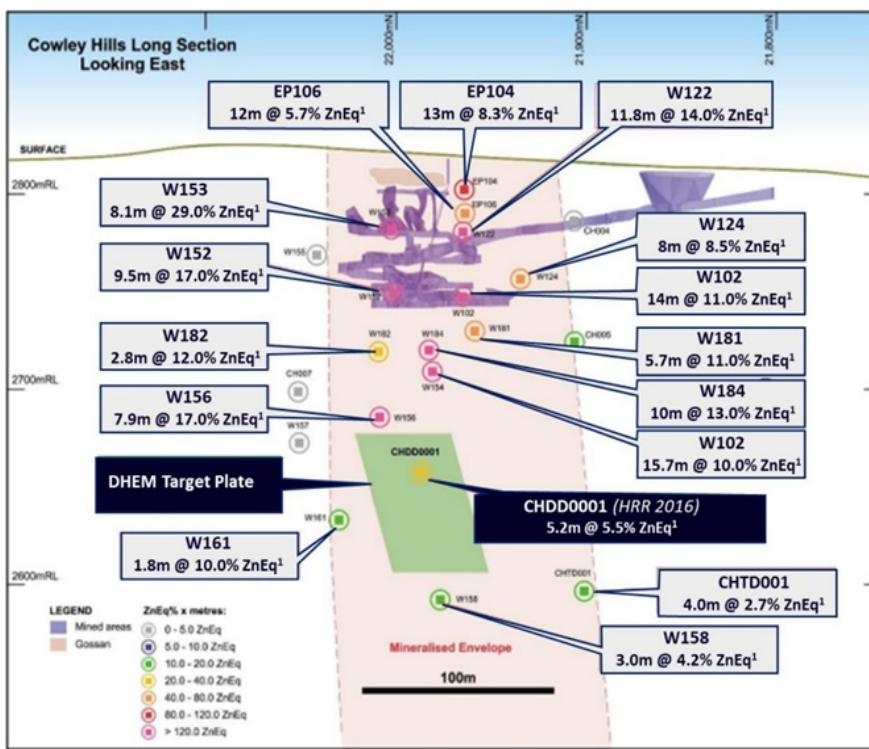
The exploration drive 800m in length has multiple drill positions along it, and we can expect up to 3 diamond drill rigs underground to complete the program. The diamond drill platform was recently completed.

A resource update is expected in the second half of CY23.

The potential exists for regional discoveries at the Woodlawn project, with multiple deposits within 10km of the Woodlawn mine. Most notable are the Cowley Hill (2km away) and Currawang (10km away) historical deposits.

At Cowley Hills, we note multiple high-grade intercepts below historical workings, which have never been followed up. Only three holes have been completed here in 30 years. A DHEM plate remains a target for future exploration.

Figure 5: Cowley Hills Potential

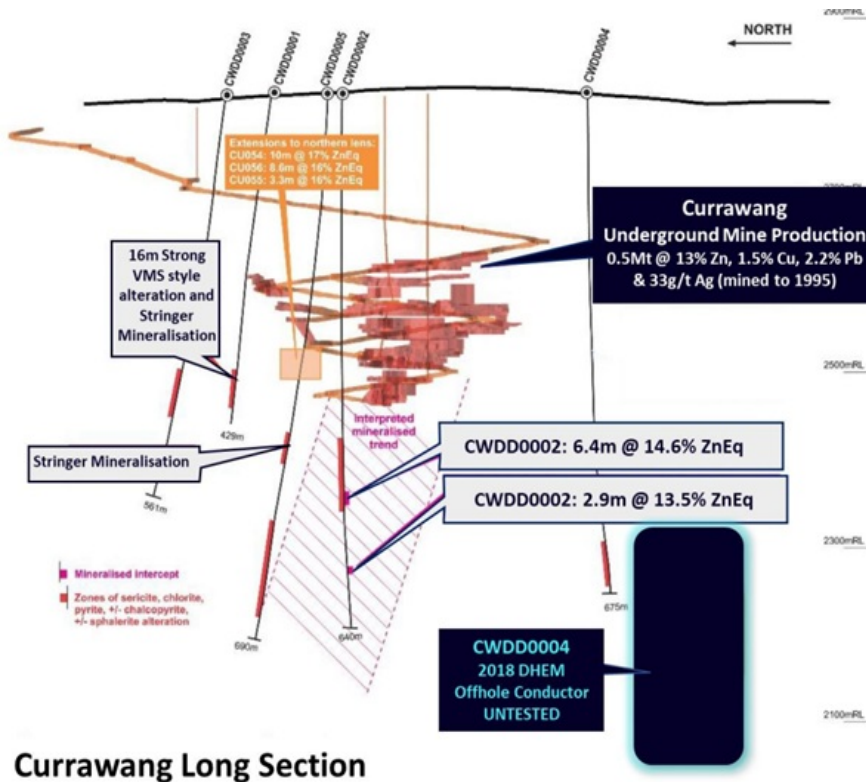


Source: Develop Strategy Day, the 6th of September 2022.

At Currawang, there are indications of additional mineralisation below the historical mining limits. Only five drill holes have been completed in the last 30 years. The ore-body was mined from 1992-1996 and produced 0.5Mt @ 13.0%Zn, 1.5%Cu, 2.2%Pb & 33g/t Ag 0.5%.

As per the figure below, an off-hole conductor at the Project is yet to be tested.

Figure 6: Currawang long section

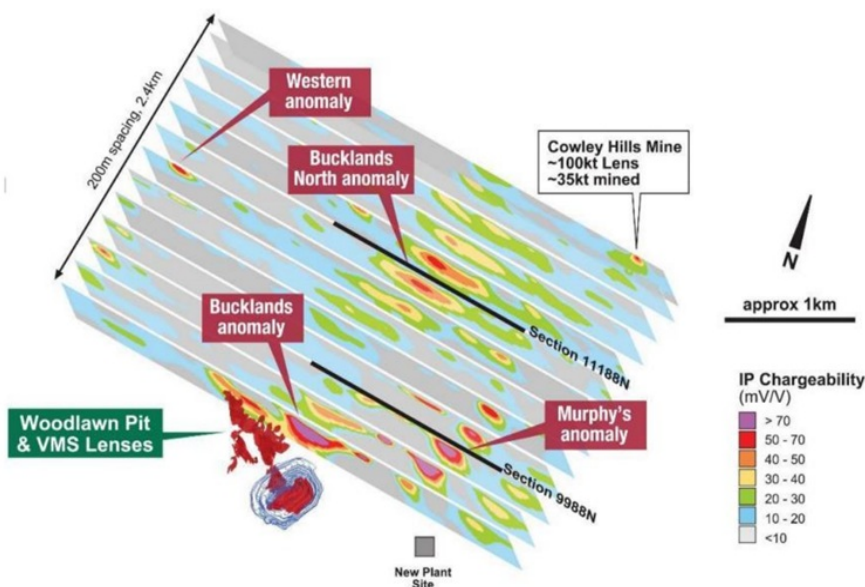


Currawang Long Section

Source: Develop Strategy Day, the 6th of September 2022.

Further, Regional Aeromagnetics (2015), Moving Loop Electromagnetic Surveys (2019), and 3D Induced Polarisation (IP) surveys (2019) demonstrate the untested potential.

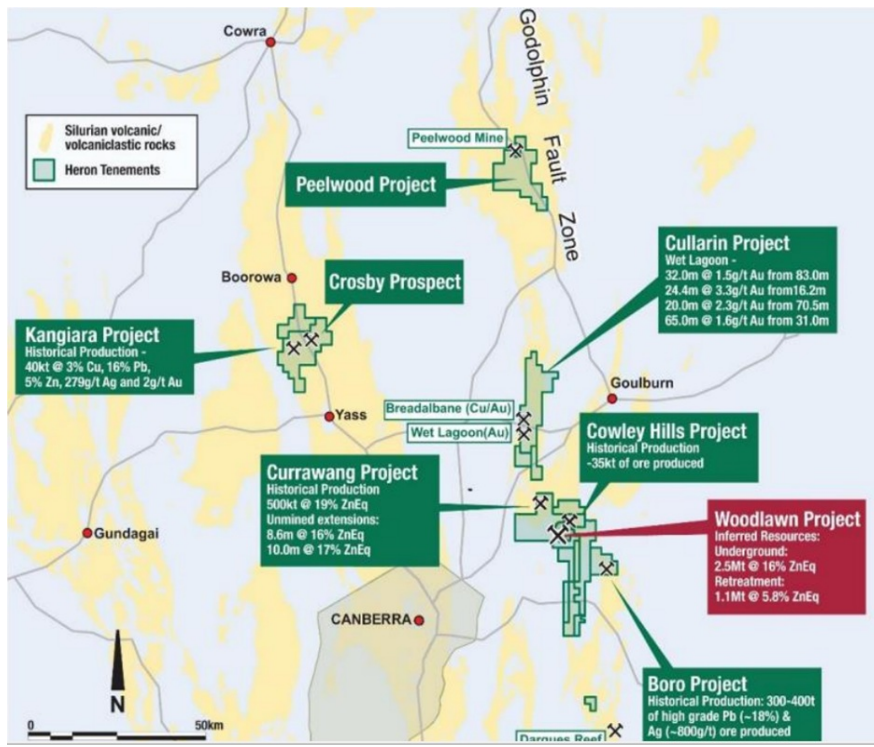
Figure 7: Untested potential at Woodlawn within 2.4km from the mill.



Source: Heron Resources 7/5/2019

We also note that DVP has a significant landholding in the area with 1,372 km² of prospective stratigraphy. There are several historic mining centres that have never seen modern exploration. Of particular interest to the Company are the Peelwood & John Fardy prospects (100km north of Woodlawn). This is considered the 'forgotten' VMS mining camp and was mined from the late 1800's to the early 1900's.

Figure 8: Regional exploration potential around Woodlawn



Source: Develop Strategy Day, 2022

Metallurgy

The facility is capable of 1Mtpa of fresh rock. The processing facility has never been run to total capacity with fresh rock, with the previous owners mixing a blend of tailings and hard rock through the facility. We note that DVP uses a 0.85Mtpa number in the Company presentation vs. the 1Mtpa used in the PFS.

The original plant was built by Sedgman. GRES has been engaged to complete upgrades in preparation for production. It consists of a two-stage crushing circuit with a primary ball mill. A fine grind mill is also incorporated to grind down to 30µm in size to maximise recovery performance from the flotation circuit. For the underground ore, the initial float (Cu concentrate) is undertaken at a 75µm grind size with a regrind of copper tails to 30µm employed to maximise the subsequent recoveries from the lead and zinc flotation stages.

The overall plant design is broadly consistent with the original 1978-1998 plant that was previously used to treat Woodlawn ore successfully. The flotation circuit comprises a gangue pre-float, copper, lead, and Zinc differential flotation sequence. Cleaner concentrate recovered from the pre-float flotation cleaner cell is discarded to final tails to remove the silicate gangue ahead of the differential base metal flotation circuit. A differential flotation circuit for copper, lead, and Zinc will be utilised with concentrate regrind stages circuits to produce cleaner concentrates. Before the lead flotation stage, the copper circuit will use a rougher and scavenger tailings regrind circuit.

Concentrates from the copper, lead, and zinc flotation circuits will be thickened and filtered for road transport.

Final flotation tailings will be de-slimed and used in the paste fill plant, generating a cemented paste that will be reticulated underground and used to backfill mined stopes from new and historic mining.

The Company expects the following recoveries at the Project.

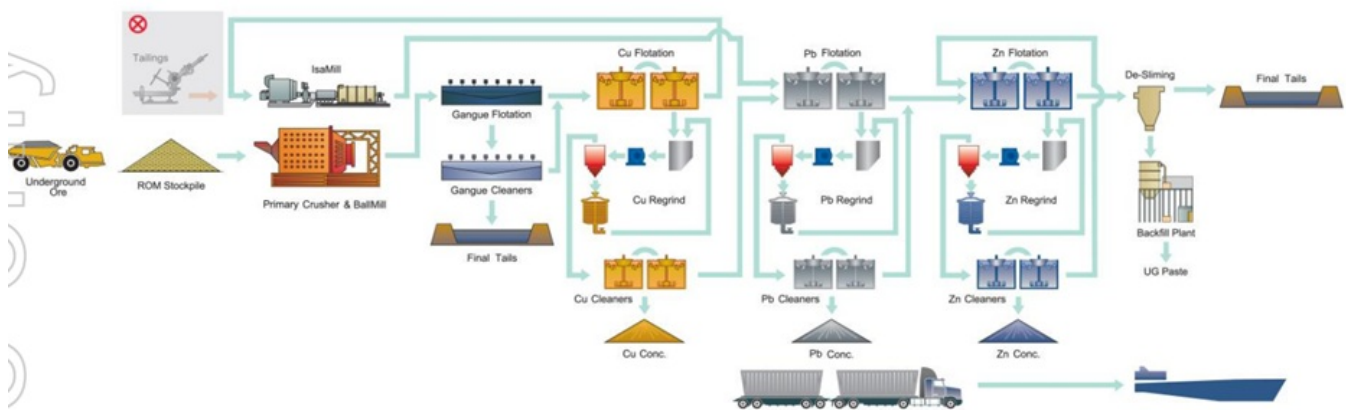
Figure 9: Woodlawn concentrate grades

	Historic Woodlawn		DEVELOP Preliminary Estimates	
	1987-1997 (Denehurst)		(subject to review)	
	Conc Grade%	Recovery %	Conc Grade%	Recovery %
Copper	21	68	21	65-75
Lead	36	51	35	50-60
Zinc	50	73	50	70-80
Silver	-	59	-	50-60
Gold	-	24	-	20-30

Source: Heron Resources 29/7/2016

The processing flowsheet is below;

Figure 10: Woodlawn Processing Flowsheet



Source: Heron Resources 29/6/2016

The 2016 PFS has processing costs for the hard rock of \$21.34/t, and we inflate these prices in our asset modelling.

We note that the processing flowsheet should not be viewed as a risk. Existing assets, including MacArthur River, Golden Grove, Rosebury, and the historic Woodlawn asset, have run similar flowsheets.

Previous owners ran into issues trying to process tailings with created issues. The DVP restart will focus on primary sulphide ore as the sole feed and tailings used to pastefill to access the remnant ore.

The Company continues to review historical metallurgical work with testing programs on new drill core. The table below indicates the potential concentrate grades for the various material types of the Project.

Figure 11: Metallurgical recovery on Woodlawn ore

Material Type	Head Grade (%)	Recovery (%)	Concentrate Grade (%)
Cu Fresh	1.41 – 1.91	86.5 – 95.3	24.7 – 26.4
Zn Fresh	3.91 – 5.83	87.5 – 93.1	53.2 – 60.2
Cu Transitional	2.97 – 3.04	89.7 – 91.7	25.5 – 26.8
Zn Transitional	1.60 – 14.60	61.4 – 95.6	17.6 – 57.4
Cu Supergene	2.61 – 2.71	88.0 – 89.5	16.0 – 16.6

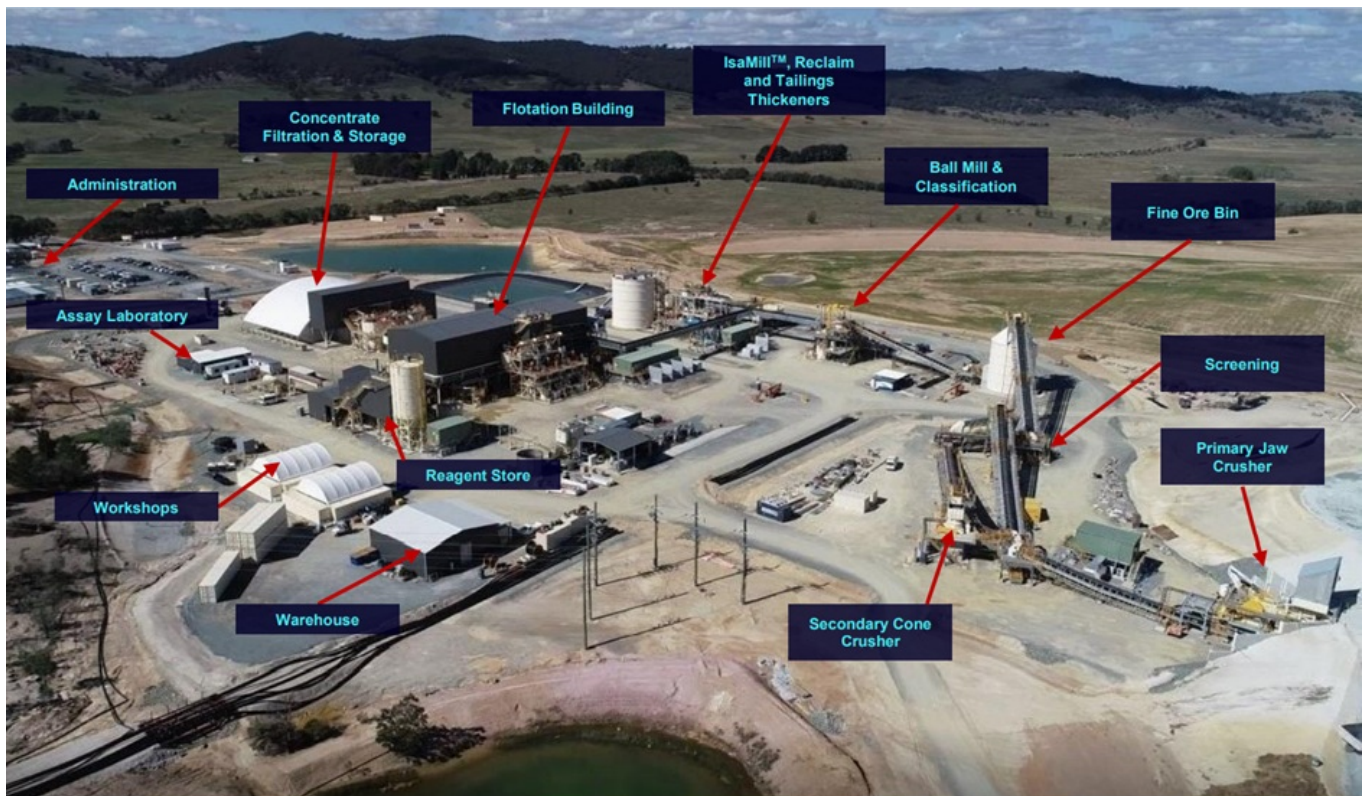
Source: Heron Resources 29/7/2016

We note that all metal concentrates at Woodlawn are unencumbered.

- Cu Concentrate at Sulphur Springs is unencumbered.
- Zn Concentrate at Sulphur Springs after year five is contracted to Toho Zinc (Japan) with tonnage capped at 135kt Zn. After this, it is unencumbered.

The previous owner invested \$340m into the Project, and DVP acquired it for \$30m with aggregate contingent consideration of up to A\$70 million payable to Orion (subject to certain milestones being met). The Project is practically brand new, with most of the capital works completed in 2019. We visited the site and can confirm that the assets and plant are in excellent condition.

Figure 12: Woodlawn site layout



Source: Develop Strategy Day, 2022

Mining

The operation is mined with conventional mechanised underground mining equipment using conventional mining methods.

We refer to the PFS completed in 2016.

Figure 13: Mining Method and Assumptions in 2016 DFS (EH uses inflated numbers aligned to modern mining)

Mining Method	Area / Location for implementation
Underhand Transverse Open Stopping	<ul style="list-style-type: none"> • Stope width greater than 15m. • Sub level spacing is 20m as recommended by Beck Engineering. • These stopes are typically 10 - 20m along strike. • Double lift (40m tall) transverse stopes have been designed in the thicker parts of Kate Lens
Underhand Longitudinal Open Stopping	<ul style="list-style-type: none"> • Stope width less than 15m. • Sub level spacing is 20m as recommended by Beck Engineering. • These stopes are typically 10 - 20m along strike.
Drift and Fill Uppers	<ul style="list-style-type: none"> • Remnant areas of the A Lens, B Lens, D Lens, G Lens, H Lens and J Lens. • The stopes are typically 10 - 20m along strike and between 3 and 20m wide.

Source: Heron Resources 29/7/2016

Beck Engineering (a renowned geotechnical consultancy) completed a geotechnical analysis of Woodlawn in the PFS. The study found that operations should have full-time geotechnical engineering staff daily. The study recommended cemented paste fill to encourage mineral recovery and aid regional stability.

We note that the core was significantly fragmented on a recent site visit. Without any other information on mine performance, we expect where these conditions are encountered, drill productivity will reduce.

While the broken ground is a cause for dilution and additional support requirements, we also see the broken ground as a restriction on possible development advance rates. The asset has multiple ore bodies and multiple 'headings'. Headings can be accessed simultaneously to maintain development advance rates where the fragmented ground is encountered. The Company has also made it a point to highlight that the project crews led the record development rates achieved at the Jundee operation (ASX NST), and this pedigree should mitigate the effect of ground conditions.

The Ventilation system consists of a 270m³/s primary fan. Sufficient in our opinion for the mining activity to come.

The operation considers 3 x 40t trucks, 3 x LHDs, 2 x Development drills and 1 x production drill, and 2 x ground support rigs.

Develop intends no using two ground support rigs, which suggests that ground conditions may be challenging.

Water management is critical, with strict controls for water discharge. The asset operates under 'non-discharge' conditions. The only way water can be removed from the site is through evaporation. We note that recent record rainfall has not affected the assets with no discharge to the environment.

Water is accessed from the Wileroo Borefield with a maximum entitlement of 600ML/year. Water from this bore field is considered a top-up (with the mine generating sufficient water to run the operation).

Operating costs from the PFS are below what we expect mining costs to be in today's environment but offer a good baseline to work from. We also note that DVP will utilise an owner-operator model to see prices somewhat insulated from higher contractor costs.

Figure 14: Mining Costs from 2016. EH inflates and adapts for modern mining.

Area	A\$/t Ore Feed to Mill (post ramp-up)
<i>Mining</i>	58.90 underground average 1.68 reclaimed tailings (post ramp-up) 15.02 average
<i>Processing</i>	21.34 for underground ore (post ramp-up) 17.33 for reclaimed tailings ore (post ramp-up) 18.90 average
<i>Fixed and Closure</i>	2.87
<i>Off-Site (Logistics, TC/RCS, Royalties)</i>	30.97
TOTAL	67.76

Source: Heron Resources 29/7/2016

The mine design, schedule and plant optimisation, metallurgical test work, and Project costing will be conducted in parallel with the drilling campaign. The Company is targeting operational readiness in 12 months. The Company will advance financing options in the second half of CY23.

Other Catalysts we see developing include the Company, at its discretion extending the access drive to intercept the Kate lens. Current development is just 25m from the ore body, and excess capacity in the development drill rigs could be allocated toward driving toward and intercepting the ore body early.

We also note the potential for remnant mining of the ore body. The Company believes that 5.1Mt of remnant material could be extracted. This is likely if we consider the use of paste fill – however, it increases the execution risk considerably, noting the additional steps to mining.

Sulphur Springs

Sulphur Springs is located 144km South-East of Port Hedland. The area is infrastructure ready, with the region a host to some of the most significant mining operations in the world – notably Rio Tinto and BHP Iron Ore.

The Project consists of the Sulphur Springs deposit and the Kangaroo Caves deposit.

The Sulphur Springs project has had a long history which, through an unfortunate sequence of events, has never been developed. The asset was put up for sale in 2014, but the bidder 'did not complete its due diligence' on the acquisition.

A DFS was completed on the Project in 2018, the culmination of 3 previous PFS-level studies (2012, 2015 and 2017). Work which led to its funding by Trafigura in 2019 through a \$100m debt package. The EPA then determined that the positioning of the TSF was a matter of concern, and the Project was delayed for six months.

A BFS is scheduled for completion in the first half of 2023.

A brief history of the asset(s) can be found in Appendix 1.

Geology

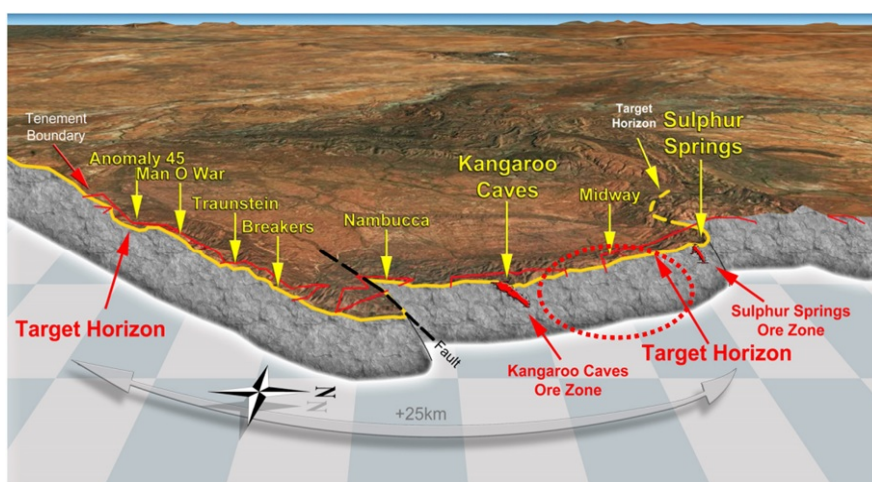
Sulphur Springs and Kangaroo Caves are VMS Zinc-Copper deposits and are located in the central east of the Archaean Pilbara Craton, in the northwest of Western Australia.

The Sulphur Springs mineral deposit is a single, strata-bound VMS mineralising event, which has been offset into two massive sulphide lenses (East and West) by a post-mineralisation sub-vertical fault. The strike length of the deposit (East to West) is 500m, with each lens dipping to the north at approximately 45-55°. Drilling has been completed to around 500m vertical depth, with the deposit open at depth with along strike potential, offering significant exploration upside.

We note that the most recent Company presentation highlights the potential of the Bledisloe project. This has been an area of interest since 2012, as indicated in the Sulphur Sprints Value Engineering Study completed in 2017.

In a lot of ways, this could be the Mincor of the Pilbara. An asset in which exploration expenditure has grown the asset life.

Figure 15: Regional exploration prospects along the Target horizon



Source: VentureX Resources Ltd, 2014

Metallurgy

The latest DFS study in 2018 considered the processing of Supergene and Transitional ore in addition to the fresh material. The Company assumes all material is processed at a grind size of P80, 63µm.

The recoveries vary based on the primary metal –Zn or Cu ore. These recovery figures were taken from the 2018 updated DFS.

Figure 16: Head grade and recovery numbers for Sulphur Springs taken from 2018 DFS.

Material Type	Head Grade (%)	Recovery (%)	Concentrate Grade (%)
Cu Fresh	1.41 - 1.91	86.5 – 95.3	24.7 – 26.4
Zn Fresh	3.91 - 5.83	87.5 – 93.1	53.2 – 60.2
Cu Transitional	2.97 - 3.04	89.7 – 91.7	25.5 - 26.8
Zinc Transitional	1.6 – 14.6	61.4 – 95.6	17.6 – 57.4
Cu Supergene	2.61 - 2.71	88.0 – 89.5	16.0 – 16.6

Source: VentureX 2018 Updated DFS 10/10/2018

Figure 17: Recoveries based on primary mineralisation.

Metal	Primary Recovery (%)	Secondary Bi-Product Recovery (%)
Copper	86.8	53.3
Zinc	93.6	72.1

Source: VentureX 2018 Updated DFS 10/10/2018

The last three updated mining studies (2018, 2017 and 2015) consider the inclusion of the oxide and/or the supergene material in conjunction with the fresh underground rock. The study, completed in 2012, considered going underground and straight into the fresh rock (bypassing supergene and transitional material).

We note that the DVP has indicated it will not consider mining the oxide or transitional and will proceed with underground mining of the fresh ore (as was considered in 2012). Noting the aforementioned scenarios, coupled with the changes in minerals processing technology since 2012, we make conservative assumptions on a processing circuit that is suitable.

We do note the following about the circuit in the 2012 study completed by GR Engineering;

- 3-stage crushing circuit with variable grind size (55-80µm)
- Two-stage flotation circuit to separate copper and zinc concentrates
- Distinct concentrate and tailings thickener
- Large-scale concentrate storage and loading facilities
- Paste plant for backfill of underground production voids.

Mining

The Company has considered various mining approaches for the Project, with the latest company announcements suggesting that going underground is the best option.

From that perspective, we consider the following mining studies. Noting the option to go straight underground, no study can be referenced for the asset outside of the underground mining component.

Figure 18: PFS and DFS numbers completed over the years for Sulphur Springs

	Dec 2012	Nov 2015	Feb 2017	2018
EBIDTA	\$548m	\$568m	A\$601m	A\$617m
C1	US\$1.57/lb	US\$0.84/lb	US\$0.14/lb Zn	\$110/t
Annual Cu	16.5kt	12.5kt	12kt	15kt
Annual Zn	30.0kt	32.2kt	32kt	35kt
Pre Prod-Capex	\$279m	\$202m	\$166m	A\$146m

Source: Venture X

The latest mining study completed in 2018 considers a modified Sub-Level Caving method with some areas extracted with Long Hole Open Stopping methods. This is not a common mining method and does incorporate some level of risk to the Project which we have factored into our numbers. Noting the availability of qualified personnel, we expect that a simpler mining method will be utilised at the Project like Sub-level Open Stopping.

Contracting Division

The Company is building a contracting arm that specialises in underground mining.

The key to any successful mining operation is development, hence the name.

Underground mining works on a strict set of constraints where one activity leads to another, with the eventual step being production operations. This is also called 'schedule-constrained mining'. Opening up a mine with development reduces the 'bottlenecks' in a schedule-constrained mine, giving operations greater flexibility and productivity.

We model the following for the mining services division.

Revenue: Growth to 100m in FY25

EBITDA Margin: Up to 20-25%

EBIT Margin: 10-15%

Depreciation: 36 months

Sustaining Capex: Matched to depreciation. Assume investment in new assets as old assets are depreciated.

Key Risks

Metallurgy

Woodlawn: Flowsheet has not been run the way DVP will run the plant – with fresh rock. Noting the flowsheet design for Woodlawn

Sulphur Springs: Flowsheet to be confirmed in BFS currently underway.

Anax Whim Creek: The flowsheet is yet to be confirmed and relies heavily on ore-sorting.

Flowsheets at both operations are common across polymetallic deposits around the world – we believe there is adequate time and experience available to address any issues that emerge.

Mining Approvals

Woodlawn: On a mining licence.

Sulphur Springs: All approvals granted.

Mining Method

The choice of mining method can affect financial outcomes significantly.

It is our assumption that during the early stages of the operations – a simplified mining method (without paste-fill) will be utilised for the ramp-up to de-risk. Management and operators have a track record of running complex mining operations, and this reduces any start-up risk faced by less experienced operators.

We note that exploration success at the Sulphur Springs asset will see underground studies prioritised rather than open pits. To this end, the Company is considering the development of an exploration drive to accelerate drilling through the wet season of the Pilbara.

The mining method selection is also reduced through infill and extensional drill programs at both assets. Understanding the longer-term prospectivity of the asset allows for better decision making early in an asset's life.

Water

Water remains a key risk at both assets.

Woodlawn: The Woodlawn asset operates on a non-discharge permit with sensitive water bodies in the region. We note that climate change has resulted in significant changes in rainfall patterns (particularly on the East Coast of Australia). Heavy rainfall could result in contaminated water entering protected tributaries. We note Veolia recently (the 22nd of November) breached environmental guidelines near Tarago.

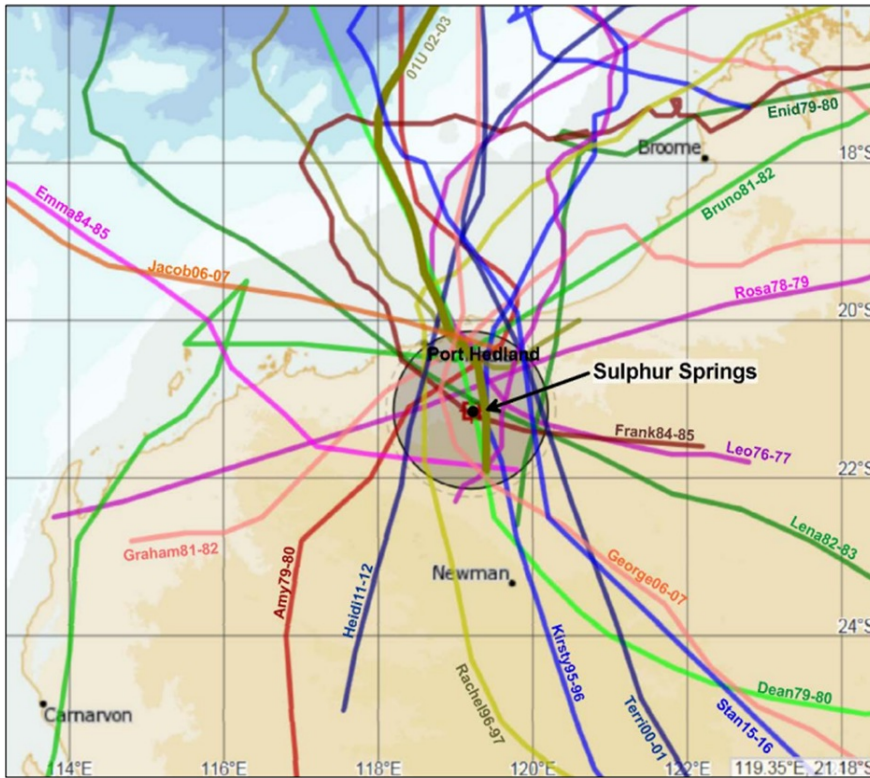
We note that in the most recent Statement of Compliance from Heron Resources for the FY21 period, no high-risk breaches were noted. We also note that relocation of the Waste Rock Emplacement may require administrative changes to the wording of the consent with regard to the seepage. (Dobson, 2021) Waste rock at the Project also has the potential (when oxidised) to produce acid. Potential Acid Forming (PAF) materials are stored in designated Waste Rock Emplacements and acid mine drainage must be monitored. Substantial evaporation systems will need to be installed to ensure adequate catchment and capacity in the event of high rainfall events.

We note that the Woodlawn Bioreactor had 17 non-compliances noted in an independent review conducted in May 2021. The Audit identified that exceedance of waste volume limits in particular were not reported. We note the exceptional track record of DVP management – particularly with regard to environmental management. We point to the strict controls in place for an asset owned by Bill Beament whilst at Northern Star-Pogo in Alaska as a reference point.

Sulphur Springs: Analysis of the Project identified no risks in the High category in the EPA water management submission (publicly available), but a few risks exist in the Medium risk category. The Medium risk category is likely to result in an impact that requires monitoring to mitigate impacts after closure. These risks can be managed, but the consequence of mismanagement can be significant.

We also point toward the path of cyclones in the area, pictured below. As the Company is planning on going underground from the start, we see limited risks associated with Cyclones and inclement weather. Appropriate water diversions (as required by law) will reduce the change of mine floods. (AECOM Australia Pty Ltd, 2019)

Figure 19: Cyclone path for Sulphur Springs



Source: Sulphur Springs Project Water Management Plan, 2019 (AECOM Australia Pty Ltd, 2019)

Geotechnical

Woodlawn: We believe that the management team have adequate experience in the safe operation of mines. We note that ground conditions may be a challenge at Woodlawn having seen the drill core on a site ourselves (ore zone fractured), and reading through previous feasibility studies. The ground conditions are manageable under the right execution strategy – as Develop has been transparent about. The BFS expected next year will detail appropriate measures. We go through what this could look like in our in-depth analysis of the Woodlawn asset in this note.

Sulphur Springs: We do not foresee any risks, but this will be re-evaluated once an updated mining plan has been published.

Heritage Sites

No heritage sites exist on the Woodlawn tenements. (AECOM Australia Pty Ltd, 2019)

Heritage surveys completed on the Sulphur Springs project with the Nyamal People increased the cleared footprint. The survey also cleared future exploration areas. The Company continues to engage with local stakeholders.

Tailings Management

Woodlawn: Tailings are a critical risk for the operation, noting the strict monitoring schedule. We believe this area will come under increasing scrutiny after Veolia admitted to a breach that could see contaminants from the waste treatment facility enter the drinking water supply. Noting the proximity of the operations, we could see a smearing of these breaches on the DVP Woodlawn project.

Sulphur Springs: We note that the position of the tailings dam facility was the single reason for EPA approval delays noting the position of the dam, and the proximity to underground

Personnel Respiratory Risks

Woodlawn: We note that Develop is adjacent to the Woodlawn Eco-Precinct. A loving name for a trash incinerator. We flag the potential risks from community opposition to this Project, which is well documented and publicised, most notably with the community members on Veolia's Community liaison committee resigning publicly in opposition to the incinerator.

We also note the risk that a facility like this could pose to the long-term health of employees at the Woodlawn Mine if contaminants released into the atmosphere are not managed properly. This could become a deterrent to employees.

Company Directors

Bill Beament

Bill Beament is a mining engineer from the Western Australian School of Mines and has more than 25 years of operational and senior management experience in the resources sector.

During this time, Mr Beament has earned a reputation as a highly talented mining entrepreneur and senior executive. He has extensive experience in executive and operational management built on a strong technical background across both gold and base metals operations, including copper, nickel, Zinc and tin.

Mr Beament led the growth of Northern Star Resources from a 1¢ shell to an ASX50 company with a market cap of over A\$15 billion. At the time of his resignation as Northern Star Resources Executive Chair, the Company was the second-biggest ASX-listed gold producer. This growth stemmed from a combination of highly successful exploration and operating excellence as well as project acquisitions.

Northern Star also has a long track record of generating one of the highest returns on equity of any ASX-listed company, including the industrial sector. This reflects Mr Beament's strong view that mining companies should focus on being a business first, maximising returns for shareholders and creating shared value for all stakeholders.

Shirley In't Veld – NED

Shirley In't Veld is a director of Karora Resources (TSX), Alumina Ltd, APA Group, and has been a board member of the CSIRO and a non-executive director of Northern Star Resources Ltd, Duet Group, Perth Airport Pty Ltd and Asciano Ltd.

She has also been a Council member of the SMART Infrastructure Facility (University of Wollongong), the Australian Institute of Company Directors (WA), and a board member of the Chamber of Commerce and Industry (WA).

In 2014, Ms In't Veld was a member of the Renewable Energy Target Review Expert Panel, and is currently a member of the Takeovers Panel.

Ms In't Veld was the Managing Director of Verve Energy for five years, relinquishing her position in April 2012. Prior to her position at Verve Energy, Ms In't Veld was Vice President Primary Business Development with Alcoa, and from 2001–2004 she was the Managing Director of Alcoa Australia Rolled Products. Ms In't Veld commenced her career as a commercial lawyer with Mallesons and has also held senior legal, commercial and marketing positions with WMC Resources Ltd, Bond Corporation and BankWest.

Ms In't Veld has held industry group representation positions with the Energy Supply Association of Australia, the Packaging Council of Australia and the Aluminium Council of Australia, and has been a board member with the Co-operative Research Centre for Landscape Evolution in Mineral Exploration (CSIRO) and the Association of Mining and Exploration Companies in WA (AMEC).

Ms In't Veld received her Bachelor of Laws (Hons) and Bachelor of Commerce in 1978 from Melbourne University.

Justine Magee – NED

Ms Magee has more than 30 years of experience in the mining sector.

She currently is the Chief Executive of RTG Mining (ASX:RTG), and previously Chief Financial Officer and Director of AGR Ltd. Before holding these positions, Ms Magee was the Chief Financial Officer and GM of Corporate at gold miner Resolute Mining.

Ms Magee is a Chartered Accountant who worked for Arthur Anderson in corporate finance. She has significant experience in Board engagement and considerable exposure to merger and acquisition activity, debt and equity financing, permitting and regulatory reporting and offtake agreements.

Ben Mckinnon

Ben MacKinnon has been a Chartered Accountant since 2005 and has 18 years of finance experience in the construction and mining services industries.

Mr MacKinnon graduated from the University of Western Australia in 2001, with a Bachelor of Commerce majoring in accounting and finance. He then commenced his professional career with EY Perth. Mr MacKinnon was previously CFO of Force Equipment for five years, which was eventually sold to ASX listed Emeco Holdings for +\$70m in 2017.

Prior to starting at Develop, Mr MacKinnon had been, for 5 years, the CFO and Company Secretary of ASX listed drilling business DDH1 Limited. He was intimately involved in taking DDH1 from a privately held business with 48 rigs through 3 acquisitions and an ASX listing to end up a drilling business of global significance, with 4 operating units and over 190 rigs.

Mr MacKinnon brings to Develop a strong ability to drive systems, process and accounting excellence across the business while delivering operational and analytical insights to the senior leadership team. He also has experience in debt and equity financing, risk management, governance, and regulatory requirements.

Top 20

Fully Paid

Figure 20: Top 20 shareholders

	Twenty Largest Holders of Ordinary Fully Paid Shares	No of Shares	%
1	MRWILLIAMJAMESBEAMENT	23,594,635	14.62
2	BELLPOTTERNOMINEESLTD	22,452,518	13.91
3	CITICORPNOMINEESPTYLIMITED	10,203,555	6.32
4	HSBCCUSTODYNOMINEES(AUSTRALIA)LIMITED	10,127,511	6.27
5	TREASURYSERVICESGROUPTYLTD&ATFNERORESOURCE FUND	4,320,230	2.68
6	WYLLIEGROUPTYLTD	3,638,418	2.25
7	HSBCCUSTODYNOMINEES(AUSTRALIA)LIMITED-A/C2	3,396,170	2.10
8	PRECISIONOPPORTUNITIESFUNDLTD	3,000,000	1.86
9	HENGHOU INDUSTRIES (HONG KONG) LIMITED	2,405,932	1.49
10	BNP PARIBAS NOMINEESPTYLTDHUB24CUSTODIAL SERVLTD	2,117,011	1.31
11	ABNAMROCLEARINGSYDNEYNOMINEESPTYLTD	1,695,841	1.05
12	GREENRIDGE HOLDINGSPTY LTD	1,433,508	0.89
13	MRGEOFFREYMUJR&MRSJACQUIMUJR	1,016,950	0.63
14	FINCLEARSERVICESNOMINEESPTYLIMITED	907,644	0.56
15	BNPPARIBASNOMSPTYLTD	850,009	0.53
16	MINERALRESOURCESLTD	813,560	0.50
17	JPMORGANNOMINEESAUSTRALIAPTYLIMITED	767,981	0.48
18	DUSTYROADINVESTMENTSPTYLTD	741,747	0.46
19	AVRTEAM PTYLTD	674,572	0.42
20	MAINPLAYPTYLTD	618,461	0.38
	Total	94,776,253	58.72

Source: DVP 2022 Annual Report 24/10/2022

Personal disclosures

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No part of our compensation was, is or will be directly or indirectly, related to the specific recommendations or views expressed by the authoring analyst in this research, nor has any attempt been made to influence this Research.

Company disclosures

The companies and securities mentioned in this report, include:

Develop Global Limited (DVP.ASX) | Price 3.41 | Target price 3.90 | Recommendation BUY;

Price, target price and rating as at 17 May 2023 (not covered)*

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