

ASX Announcement

26/4/2023

MARCH 2023 QUARTERLY REPORT

# Develop finalising new mine plan ahead of re-start decision for Woodlawn Zn/Cu mine

Rapid progress on operational infrastructure ensures decision is on track for mid-CY23; Outstanding exploration results pave way for growth beyond the new plan

## Highlights of the Quarter

- At the Woodlawn zinc-copper project in NSW, significant progress was made in preparing for a decision on a production re-start, including:
  - Existing life of mine plan redesigned and all operating costs being updated. New LOM to be released in middle of this year
  - Exploration drill drive completed; Committed an additional \$5m worth of underground development to support the accelerated ramp-up and de-risk future ore production
  - Multiple level accesses have been established into the high-grade Kate Lens (1.23Mt @ 2.1% Cu, 5.6% Zn, 1.8% Pb, 50.6g/t Ag & 0.9g/t Au); Development through these accesses is showing the mineralisation to be significantly thicker than modelled
  - Upgrades to underground infrastructure to enable production are well advanced
  - GR Engineering making rapid progress on validating/optimising the design criteria of the existing mill and re-start cost estimates. Additional metallurgical testwork, including testing of a simplified flowsheet is showing improved metal recoveries
- Assays received for first 10 exploration drillholes; All holes intersected mineralisation outside the current underground Resource
- Exceptionally high-grade copper and zinc mineralisation intersected in the J Lens; Mineralisation also intersected in the C lens. which was previously thought to be closed off, significantly extending the known strike length and depth; Results include:
  - 20.0m @ 5.5% Cu, 2.1% Zn and 17.2gpt Ag
    - Including 9.9m @ 7.9% Cu, 4.2% Zn, 22.7gpt Ag; and 4.3m @ 6.8% Cu and 26.5gpt Ag
  - 8.8m @ 7.6% Cu, 1.6% Zn and 28.8gpt Ag
  - 19.5m @ 1.7% Cu, 3.0% Zn and 10.3gpt Ag
- At the Sulphur Springs zinc-copper-silver project in WA, technical/analysis work is well advanced on the increased Resource to update the mine design, processing design, Ore Reserve and project costings to deliver a revised valuation for the project in the June Qtr
- Develop's Mining Services division completed 2.6km of underground development at the Bellevue Gold Project in Western Australia, a 43% increase from the December quarter
- Revenue increased by 35% in the March Qtr to ~A\$19M. Revenue will continue to grow as Bellevue ramps up to production
- Additional management personnel appointed; All key positions relating to delivery of Develop's five-year business plan now filled

Develop Managing Director Bill Beament said the Company had made outstanding progress on all its key pillars of growth.

Woodlawn and Sulphur Springs both advanced significantly, the mining services division generated substantial revenue growth with more to come and several key management personnel were appointed.

“The results of the past quarter demonstrated the outstanding quality of the Woodlawn Zinc/Copper project, the size of the opportunity we already have there and the huge growth potential awaiting us,” Mr Beament said.

“The rapid progress we made on several fronts, ranging from underground development through to metallurgical testing, means we are now able to complete the revised mine plan which will in turn pave the way for a decision to re-start production.

“This mine plan, which will underpin a revised NPV for the project, will be based predominantly on the existing underground reserve.

“The exceptional exploration results we generated over the past quarter will not be included in the new plan. These will be included in an updated resource, which will be aimed at generating subsequent growth in forecast production, mine life and NPV”.

Mr Beament said strong progress was also being made in preparation for an updated Sulphur Springs Definitive Feasibility Study, which is scheduled for release in the middle of this year.

## Occupational Health, Safety and Environmental

Group lost time injury frequency rate “LTIFR” is 0.0 (injuries per million work hours), National metalliferous mining average is 3.6.

Group total Restricted work injury frequency rate “RWIFR” is 3.6, this is the result of a single recordable injury for the quarter. WA metalliferous mining average is 6.8.

There has been no major or reportable environmental or heritage incidents in the past quarter.

## Woodlawn Zinc Copper Mine

Develop’s Woodlawn Zinc-Copper Mine is in the world class Lachlan Fold belt in NSW, 250km south-west of Sydney. Historically. The Mine operated from 1978 to 1998, and was Australia’s second highest grade zinc equivalent mine at this time, processing 13.8Mt grading 9.1% Zn, 1.6% Cu, 3.6% Pb, 74gpt Ag and 0.5gpt Au. The projects current mineral resources total 7.3Mt @ 5.7% Zn, 1.8% Cu, 2.0% Pb, 44.9gpt Ag & 0.6gpt Au.

## Exploration

During the quarter a total of 8,728.3m of underground exploration drilling was completed as part of Develop’s maiden 70-hole (35,000m) exploration and resource drilling campaign.

Assay results received from the first 10 holes have identified numerous zones of additional massive sulphide and stringer mineralisation at the interpreted A, B, C, G and J Lens horizons (refer to figures 1 and 2), highlighting the near-mine potential and significant upside at Woodlawn, including:

- **20.0m @ 5.5% Cu, 2.1% Zn** and 17.2gpt Ag from 466.4m (23WNUD0003) – J lens
- **8.8m @ 7.6% Cu, 1.6% Zn** and 28.8gpt Ag from 439m (22WNUD0002) – J lens
- **19.5m @ 1.7% Cu, 3.0% Zn and** 10.3gpt Ag from 445.5m (23WNUD0004) – J lens
- **4.7m @ 3.6% Cu** and 12.5gpt Ag from 435.3m (22WNUD0006) – J lens
- **1.4m @ 3.9% Cu, 2.0% Zn** and 30gpt Ag from 595.2m (22WNUD0003) – C lens
- **4.2m @ 1.8% Cu** and 5.3gpt Ag from 289m (23WNUD0005) – A lens

*\*The true widths of the intercepts reported are estimated to be approximately 80-90% of the downhole widths.*

Significantly, a zone of high-grade copper was identified on to the southern margin of J Lens including **20.0m @ 5.5% Cu (including 9.9m @ 7.9% Cu and 4.3m @ 6.8% Cu)** and **8.8m @ 7.6% Cu (including 5.6m @ 9.9% Cu and 0.8m @ 14.5% Cu)**.

Mineralisation was intersected down plunge from C Lens, including 1.4m @ 3.9% Cu, 2.0% Zn and 30gpt Ag, this confirms Develop's interpretation that the Woodlawn mineralising system remains open in an area that was previously thought to be closed-off.

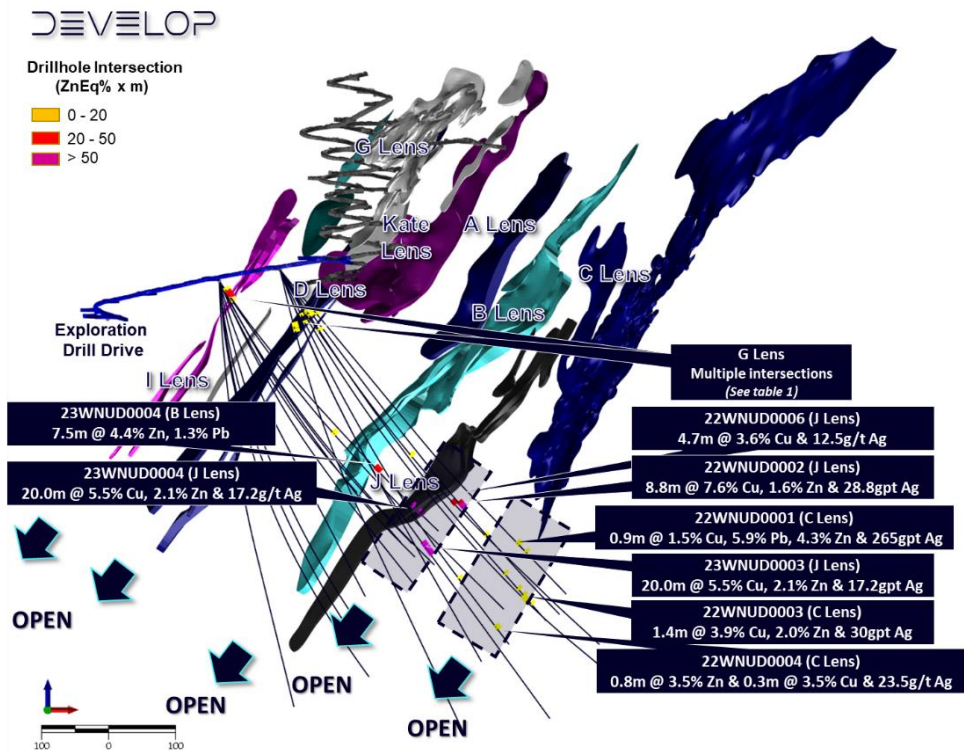


Figure 1: Woodlawn 2023 drilling programme drillhole intercepts (north view cross-section)

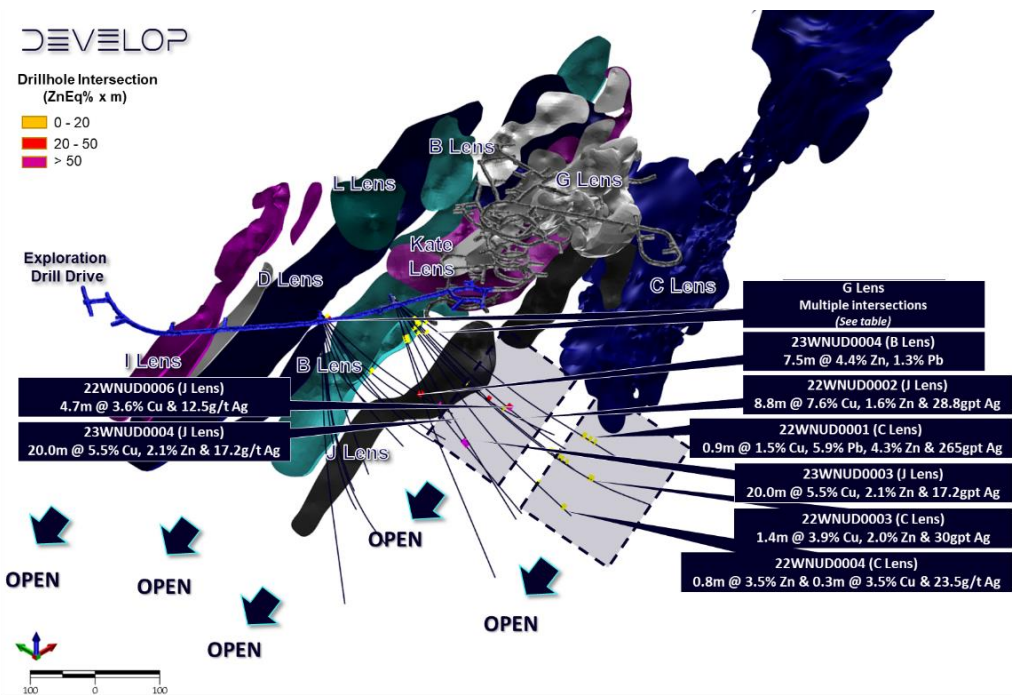


Figure 2: Woodlawn 2023 drilling programme drillhole intercepts (northeast view oblique plan-section)

A significant review of near-mine exploration targets within the Woodlawn Zinc-Copper Mine, along with regional targets, is also ongoing, with an aim of resuming both near mine and regional exploration activities later in 2023.

## **Operations**

The existing Woodlawn life of mine plan "LOM" is being redesigned and all operating costs are being updated. A new LOM will be released in the middle of this year.

The 900m exploration drill drive was completed during the quarter, this drive will also serve as critical infrastructure later in the mine's life.

The operational team has continued to rapidly progress underground capital development and significantly open up the existing mine plan, which will support an accelerated production ramp-up. A total of ~800m of lateral advance was achieved for the quarter, with the month of March a site record of 323m with one development team.

Multiple level access has now been established into the high-grade Kate Lens, allowing rapid access and direct mill feed once full-scale operations at Woodlawn are resumed.

Supporting upgrades to critical site infrastructure are well advanced with primary ventilation extensions completed. High voltage power and pumping extensions are currently underway as well as planning work for extension of the paste fill reticulation.

Work has also commenced on validating the design criteria and suitability of the existing mill and plant equipment for the proposed duty and configuration, GR Engineering and internal resources are progressing this quickly. Additional metallurgical test work, including confirmation testing of a revised (simplified) flowsheet, is underway to help determine performance targets and is showing improved metal recoveries are possible.

## **Sulphur Springs Zinc Copper Project**

Sulphur Springs Project is in the world class Pilbara district in WA, ~140km south of Port Hedland. The project hosts mineral resources totalling 17.4Mt @ 5.8% Zn, 1.0% Cu, 0.3% Pb, 21.0gpt Ag & 0.2gpt Au.

The Definitive Feasibility Study (see ASX release 10 October 2018) delivered a Pre-Tax NPV<sub>8%</sub> of A\$472 million, based on a copper price of US\$6300/tonne and zinc price of US\$2650/tonne. Current prices are significantly higher for both metals.

## **Operations**

Work has commenced on validating the design criteria and suitability of the historical mill and plant equipment design for the proposed duty and configuration, design engineers and internal resources are progressing this quickly.

An updated mine plan and project cost (mining, processing and surface) based on developing the underground mine first is well underway. This will form the basis of the revised Definitive Feasibility Study which is scheduled to be completed in the June quarter.

## **Exploration**

No new work completed during the quarter.

## **Develop Underground Services Division**

Develop continues to ramp up activities at the Bellevue Gold Project in Western Australia. The development contract to date has allowed for pre-production activities to build up and ensure that first production ore from the mine is achieved as per schedule.

Commissioning of the first new production drill rig occurred in the quarter, along with mobilisation of associated production personnel.

During the quarter, the division completed 2,612m of underground development at Bellevue Gold, a 43% increase from the prior December quarter. This exceptional performance produced A\$19.1M in contract revenue, a 35% increase from the December quarter.

Efficiencies of the three development teams currently on site have exceeded expectations. The fourth development crew is due to commence in June.

Production activities continue to build which will see an increase in revenues quarter on quarter moving forward.

Develop Underground Services Division continues to have no issues attracting or retaining personnel. Turnover sits substantially below the mining industry average.

## Whim Creek Joint Venture (20% free carried)

Develop has a 20% free carried interest in the Whim Creek Base Metal Joint Venture Project located 115km southwest of Port Hedland in Western Australia.

Subsequent to the end of the quarter project partner Anax Metal Limited (ASX: ANX) released a Definitive Feasibility Study (DFS) for the project. The DFS demonstrates a technically and economically robust polymetallic project and strategic processing hub development in the Pilbara, highlights include:

- Project free cash of \$340 million with a pre-tax NPV<sub>7%</sub> of \$224M and an IRR of 54% based on forecast metal prices, exchange rates, capital and operating costs.
- Pre-production Capex of \$71M including contingency and owner's costs. Working capital of \$14M with maximum drawdown of \$85M.
- Project approvals and permitting activities continue to be a focus and are at an advanced stage. Final approvals are expected through H2 2023.

The company will continue to update shareholders as further results are released.

## Evelyn Project [E47/1209]

No new work completed during the quarter.

## Corporate

Ms Michelle Woolhouse resigned as a non-executive director during the quarter to resume a career in the banking industry. A replacement non-executive director is well advanced.

Mr Mick McMullen resigned as a non-executive director during the quarter. Mr McMullen is the Chief Executive of Metals Acquisition Corp, which is in the process of buying the CSA Copper mine from Glencore in NSW. His resignation would remove the potential for conflicts of interest in the event that Develop and MAC pursued possible transactions involving both companies.

## Securities Information

The Company's issued capital at the date of this announcement is:

Security Class	Issued Capital
DVP Fully Paid Ordinary Shares	167,819,021
Unlisted Performance Rights	787,600
Unlisted Options (various expiry dates and exercise prices)	45,922,814

## Financial Information

- The asset finance facility from our major OEM supplier, Sandvik, was increased from A\$20m to A\$35m
- An asset finance facility for A\$6m was established with equipment supplier Epiroc
- Negotiations continued on an indicative term sheet from a Big-Four Australian bank for a A\$15m asset finance facility
- A\$2m was received from the proceeds of exercised options and a further A\$9.2m is expected due for exercise in the next quarter.

The Company's cash position on 31 March 2023 was A\$23 million.

Appendix 5B – Statement of Consolidated Cash Flows is provided in a separate report.

Information as disclosed in the Cash Flow Report:

- Exploration and Evaluation during the quarter was \$A2.1 million.
- Payments to related parties of the Company and their associates during the quarter were A\$139k. The Company advises that A\$113k relates to executive directors' salaries, non-executive directors' fees and superannuation. A\$26k relates to Gilbert+Tobin providing legal consulting services, of which Michael Blakiston is a Partner.

This announcement is authorised for release by Bill Beament, Managing Director.

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### **About Develop**

Develop (ASX: DVP) has a twin-pronged strategy for creating value. The first of these centres on the exploration and production of future-facing metals. As part of this, the Company owns the Sulphur Springs copper-zinc-silver project in WA's Pilbara region. This project is currently the focus of ongoing exploration to grow the inventory and various development studies. Develop also owns the Woodlawn zinc-copper project in NSW. Woodlawn, which is on care and maintenance, comprises an underground mine and a new processing plant. The second plank of Develop's strategy centres on the provision of underground mining services. As part of this, Develop has an agreement with Bellevue Gold (ASX: BGL) to provide underground mining services at its Bellevue Gold Project in

**Interest in Mining Tenements**

AREA OF INTEREST	TENEMENTS	GROUP INTEREST	EXPIRY
<b>Sulphur Springs</b>	M45/494	100%	21/10/2032
	M45/587	100%	6/09/2032
	M45/653	100%	28/09/2037
	M45/1001	100%	21/01/2029
	E45/4811	100%	27/03/2023
	E45/4993	100%	10/04/2023
	E 45/6033	100%	Application
	E 45/6034	100%	Application
	L45/166	100%	30/04/2030
	L45/170	100%	19/09/2030
	L45/173	100%	24/08/2033
	L45/179	100%	31/03/2032
	L45/188	100%	19/11/2030
	L45/189	100%	19/11/2030
	L45/287	100%	27/09/2033
M45/1254	100%	10/10/2038	
<b>Evelyn</b>	E47/1209	100%	26/09/2023
<b>Whim Creek Anax JV</b>	M47/236	20%	26/07/2032
	E47/3495	20%	31/07/2022
	M47/237	20%	26/07/2032
	M47/238	20%	26/07/2032
	M47/443	20%	1/06/2040
	L47/36	20%	18/01/2023
	M47/323	20%	3/06/2035
	M47/324	20%	3/06/2035
	M47/1455	20%	3/04/2033
<b>Woodlawn</b>	S(C&PL)20	100%	16/11/2029
	EL7257	100%	14/11/2026
	EL8325	100%	2/12/2023
	EL7468*	100%	4/03/2023*
	EL7469*	100%	4/03/2023*
	EL8353	100%	17/03/2024
	EL8623	100%	17/07/2023
	EL8712	100%	5/03/2024
	EL8796	100%	25/09/2024
	EL8797	100%	25/09/2024
	EL8945*	100%	19/02/2023*
	EL8318	20%	3/11/2023
EL5878	20%	24/07/2023	
<b>Alchemy JV</b>	EL7941	20%	23/05/2022
	EL8267	20%	12/05/2023
	EL8356	20%	12/05/2023
	EL8192	20%	30/10/2021
	EL8631	20%	26/07/2025
	EL8711	20%	5/03/2023
	EL7954	20%	19/06/2022
EL8400	20%	20/10/2024	
<b>SKY Metal JV</b>	EL8573	20%	23/05/2023
	EL8400	20%	20/10/2024
	EL8573	20%	23/05/2023

\*The company has lodged renewal applications for tenements EL7468, EL7469 and EL8945.

## Mineral Resources Statements

<b>SULPHUR SPRINGS PROJECT (DVP 100%)</b>	<b>SULPHUR SPRINGS</b>	Classification	Tonnes (kt)	Zn %	Pb %	Cu %	Ag g/t	Au g/t
		Indicated	12,359	5.6	0.3	1.2	21.9	0.1
		Inferred	1,401	6.4	0.5	0.2	38.4	0.2
		<b>TOTAL</b>	<b>13,760</b>	<b>5.7</b>	<b>0.3</b>	<b>1.1</b>	<b>23.5</b>	<b>0.2</b>
	<b>KANGAROO CAVES</b>	Classification	Tonnes (kt)	Zn %	Pb %	Cu %	Ag g/t	Au g/t
		Indicated	2,300	5.7	0.3	0.9	13.6	0.0
Inferred		1,300	6.5	0.4	0.5	18.0	0.0	
<b>Total</b>		<b>3,600</b>	<b>6.0</b>	<b>0.3</b>	<b>0.8</b>	<b>15.0</b>	<b>0.0</b>	
<b>WOODLAWN (DVP 100%)</b>	<b>WOODLAWN</b>	Classification	Tonnes (kt)	Zn %	Pb %	Cu %	Ag g/t	Au g/t
		Measured	104	4.3	1.9	2.1	100	1.4
		Indicated	4,776	5	1.8	1.8	42.2	0.7
		Inferred	2,461	6.9	2.5	1.8	47.8	0.3
		<b>Total</b>	<b>7,341</b>	<b>5.7</b>	<b>2</b>	<b>1.8</b>	<b>44.9</b>	<b>0.6</b>
<b>WHIM CREEK JV PROJECT (DVP 20% : ANX 80%)</b>	<b>MONS CUPRI</b>	Classification	Tonnes (kt)	Zn %	Pb %	Cu %	Ag g/t	Au g/t
		Measured	1,070	1.6	0.7	1.5	38.0	0.3
		Indicated	3,500	0.8	0.3	0.8	17.0	0.1
		Inferred	500	1.5	0.6	0.5	14.0	0.0
		<b>Total</b>	<b>5,100</b>	<b>1.0</b>	<b>0.4</b>	<b>0.9</b>	<b>21.0</b>	<b>0.1</b>
	<b>SALT CREEK</b>	Classification	Tonnes (kt)	Zn %	Pb %	Cu %	Ag g/t	Au g/t
		Indicated	1,017	3.3	0.9	1.2	20.0	0.2
		Inferred	839	5.3	1.5	0.7	43.0	0.2
		<b>Total</b>	<b>1,856</b>	<b>4.2</b>	<b>1.2</b>	<b>1.0</b>	<b>30.0</b>	<b>0.2</b>
	<b>WHIM CREEK</b>	Classification	Tonnes (kt)	Zn %	Pb %	Cu %	Ag g/t	Au g/t
		Indicated	1,760	0.6	0.2	1.1	6	0
		Inferred	660	0.2	0.1	0.6	2	0
		<b>Total Cu Resources</b>	<b>2,420</b>	<b>0.5</b>	<b>0.1</b>	<b>0.9</b>	<b>5.0</b>	<b>0.0</b>
		Indicated	120	3.2	0.4	0.1	12.0	0.1
		Inferred	45	2.5	0.4	0.1	9.0	0.0
<b>Total Zn Resources</b>		<b>165</b>	<b>3.0</b>	<b>0.4</b>	<b>0.1</b>	<b>11.0</b>	<b>0.1</b>	
<b>EVELYN</b>	Classification	Tonnes (kt)	Zn %	Pb %	Cu %	Ag g/t	Au g/t	
	Indicated	443	3.9	0.3	2.4	40	0.9	
	Inferred	106	1.8	0.1	1.3	15	0.2	
	<b>Total</b>	<b>549</b>	<b>3.5</b>	<b>0.3</b>	<b>2.2</b>	<b>35</b>	<b>0.8</b>	

*Tonnages are dry metric tonnes. Minor discrepancies may occur due to rounding.*

**Notes:**

- The Sulphur Springs Mineral Resource Estimate has been extracted from the Company's ASX announcements "Sulphur Springs Updated Mineral Resource Estimate" issued 6 September 2022.
- The kangaroo Caves Mineral Resource Estimate has been extracted from the Company's ASX announcements Kangaroo Caves Resource Upgrade" dated 22 September 2015
- The Woodlawn Mineral Resource Estimate has been extracted from the Company's ASX announcements "Woodlawn Updated Mineral Resource Estimate" issued 2 August 2022.
- The Mineral Resources estimates for The Whim Creek Project are based on information supplied by Joint-Venture Partner Anax Metals (ASX: ANX), full details of these estimates, including the applicable JORC statements, on their websites: <https://anaxmetals.com.au>
- The information in this Announcement regarding previous operations at the Woodlawn Project, including information relating to historic production, recoveries, mineral resources and financial information has been sourced using publicly available information and cross-referenced against internal data for confirmation.
- The Company confirms that it is not aware of any information or data that materially affects the information included in the relevant market announcement and all material assumptions and technical parameters underpinning the estimates in the Original Announcement continue to apply and have not materially changed.



## **Competent Person Statement**

*The information in this announcement that relates to Exploration Results is based on information by Mr Luke Gibson who is an employee of the Company. Mr Gibson is a member of the Australian Institute of Geoscientists and has sufficient experience with the style of mineralisation, type of deposit under consideration and to the activity being undertaken to qualify as Competent Persons as defined in the 2012 – Refer Edition of the “Australasian Code for Reporting of Mineral Resources”. Mr Gibson consents to the inclusion in this announcement of the matters based on this information in the form and context in which it appears.*

## **Cautionary Statement**

The information contained in this document (“Announcement”) has been prepared by DEVELOP Global Limited (“Company”). This Announcement is being used with summarised information. See DEVELOP’s other and periodic disclosure announcements lodged with the Australian Securities Exchange, which are available at [www.asx.com.au](http://www.asx.com.au) or at [www.develop.com.au](http://www.develop.com.au) for more information.

The information in this Announcement regarding previous operations at the Woodlawn Project, including information relating to historic production, recoveries, mineral resources and financial information (including historical expenditure) has been sourced using publicly available information and internal data. While the information contained in this Announcement has been prepared in good faith, neither the Company nor any of its shareholders, directors, officers, agents, employees or advisers give any representations or warranties (express or implied) as to the accuracy, reliability or completeness of the information in this Announcement, or of any other written or oral information made or to be made available to any interested party or its advisers (all such information being referred to as “Information”) and liability therefore is expressly disclaimed. Accordingly, to the full extent permitted by law, neither the Company nor any of its shareholders, directors, officers, agents, employees or advisers take any responsibility for, or will accept any liability whether direct or indirect, express or implied, contractual, tortious, statutory or otherwise, in respect of, the accuracy or completeness of the Information or for any of the opinions contained in this Announcement or for any errors, omissions or misstatements or for any loss, howsoever arising, from the use of this Announcement.

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This Announcement has been prepared in compliance with the JORC Code 2012 Edition. The ‘forward-looking information’ is based on the Company’s expectations, estimates and projections as of the date on which the statements were made. The Company disclaims any intent or obligations to update or revise any forward looking statements whether as a result of new information, estimates or options, future events or results or otherwise, unless required to do so by law.